

Education Cabinet

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	325,759,000	329,586,300	281,383,700	330,210,800
Continuing Appropriation			842,400	
Total General Fund	325,759,000	329,586,300	282,226,100	330,210,800
Restricted Funds				
Balance Forward	3,517,100	2,173,100	3,333,900	1,429,200
Current Receipts	15,495,300	15,751,700	13,722,900	13,408,900
Non-Revenue Receipts	35,907,400	37,710,100	33,475,300	32,813,300
Fund Transfers			-523,900	
Total Restricted Funds	54,919,800	55,634,900	50,008,200	47,651,400
Federal Funds				
Balance Forward	70,200	62,700	70,200	62,700
Current Receipts	198,581,400	203,611,000	195,372,500	197,986,900
Non-Revenue Receipts	679,099,000	679,099,000	679,099,000	679,099,000
Total Federal Funds	877,750,600	882,772,700	874,541,700	877,148,600
TOTAL SOURCE OF FUNDS	1,258,429,400	1,267,993,900	1,206,776,000	1,255,010,800
EXPENDITURES BY CLASS				
Personnel Cost	159,335,200	171,347,200	146,602,400	146,430,300
Operating Expenses	50,944,600	48,926,600	43,782,400	43,123,600
Grants, Loans or Benefits	949,409,300	939,322,600	921,854,900	950,575,600
Debt Service	94,795,600	104,999,000	91,000,000	111,003,100
Capital Outlay	2,592,000	4,137,700	2,044,400	1,657,900
TOTAL EXPENDITURES	1,257,076,700	1,268,733,100	1,205,284,100	1,252,790,500
EXPENDITURES BY FUND SOURCE				
General Fund	325,759,000	329,586,300	282,226,100	328,710,800
Restricted Funds	53,689,300	56,424,900	48,579,000	46,981,900
Federal Funds	877,687,900	882,721,900	874,479,000	877,097,800
TOTAL EXPENDITURES	1,257,136,200	1,268,733,100	1,205,284,100	1,252,790,500
EXPENDITURES BY UNIT				
General Administration and Program Support	11,666,400	12,211,600	9,934,800	10,181,400
Deaf and Hard of Hearing	1,295,200	1,380,000	1,113,300	1,073,100
Kentucky Educational Television	20,713,000	21,111,900	16,345,200	15,969,900
Environmental Education Council	352,400	361,200	342,600	187,200
Libraries and Archives	26,717,500	27,989,100	17,910,700	17,584,500
School Facilities Construction Commission	95,060,300	102,874,900	91,246,900	111,142,400
Teachers' Retirement System	138,217,300	127,868,300	117,166,700	139,413,100
Department for the Blind	11,710,200	12,209,200	11,347,900	11,778,600
Employment Services	808,426,100	811,352,600	802,407,600	801,831,100
Technical Education	66,218,800	72,153,300	60,786,200	65,048,900
Vocational Rehabilitation	60,483,500	62,561,600	60,760,200	62,759,500
Educational Professional Standards Board	16,275,500	16,659,400	15,922,000	15,820,800
TOTAL EXPENDITURES	1,257,136,200	1,268,733,100	1,205,284,100	1,252,790,500

Education Cabinet
General Administration and Program Support

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	4,945,800	5,160,200	4,022,600	4,264,200
Total General Fund	4,945,800	5,160,200	4,022,600	4,264,200
Restricted Funds				
Balance Forward	150,300	150,000		
Current Receipts	46,400	46,400	38,400	38,400
Non-Revenue Receipts	6,478,100	6,790,500	5,688,800	5,688,800
Total Restricted Funds	6,674,800	6,986,900	5,727,200	5,727,200
Federal Funds				
Current Receipts	195,800	214,500	185,000	190,000
Total Federal Funds	195,800	214,500	185,000	190,000
TOTAL SOURCE OF FUNDS	11,816,400	12,361,600	9,934,800	10,181,400
EXPENDITURES BY CLASS				
Personnel Cost	7,441,300	7,947,700	6,425,200	6,190,200
Operating Expenses	1,808,900	1,821,200	1,591,800	1,602,600
Grants, Loans or Benefits	2,416,200	2,442,700	1,917,800	2,388,600
TOTAL EXPENDITURES	11,666,400	12,211,600	9,934,800	10,181,400
EXPENDITURES BY FUND SOURCE				
General Fund	4,945,800	5,160,200	4,022,600	4,264,200
Restricted Funds	6,524,800	6,836,900	5,727,200	5,727,200
Federal Funds	195,800	214,500	185,000	190,000
TOTAL EXPENDITURES	11,666,400	12,211,600	9,934,800	10,181,400

The Education Cabinet was created by Executive Order 2005-576 signed on June 20, 2005, combining several departments and offices from the former Education, Arts and Humanities Cabinet and the former Workforce Development Cabinet.

General Administration and Program Support provides the central coordination and direction for the overall planning, management and oversight of the agencies within the Cabinet. The program is responsible for the provision of specialized support of Cabinet activities including: policy and budget development and personnel transactions; legal services including legislative and regulatory development and oversight; a communications strategy with the public, business, and industry; economic analysis and research; accounting, purchasing, facilities management, and computer services; and administrative support services.

The program includes the following units:

The Office of the Secretary provides strategic direction and leadership to establish the focus for policy development, implementation, and program priorities. The Office coordinates Cabinet activities among its departments and agencies to ensure continuous improvement in administration and efficient service to the citizens of the Commonwealth. The Secretary serves as the Chief Executive Officer of the Cabinet and is an advisor to the Governor and the General Assembly.

The Office of Operations and Development coordinates fiscal and personnel operations, strategic planning, development initiatives, and legislative programs of cabinet agencies. By coordinating strategic partnership planning, legislative review and presentation, and overall fundraising strategy in the Office of Operations and Development, the cabinet agencies can concentrate on maintaining and enhancing the quality and delivery of services, while enriching ongoing programs and ensuring the success of new program ventures.

The Martin Luther King Commission was formally attached to the Education, Arts and Humanities Cabinet in 1996. The Commission's duties include: developing proposals for and overseeing a special program for the annual King holiday celebration; participating in Black History Month; assisting in developing educational materials and contests; and encouraging public participation in holiday observances. The Commission provides other state agencies guidance and assistance on issues and programs related to diversity, equality, and multi-culturalism.

Policy

Senate Bill 134 as enacted by the 2005 General Assembly transferred the Governor's Scholars Program to the Governor's Office for administrative purposes.

**Education Cabinet
Kentucky Educational Television**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	18,902,200	19,160,000	14,145,200	14,194,200
Total General Fund	18,902,200	19,160,000	14,145,200	14,194,200
Restricted Funds				
Balance Forward			33,400	
Current Receipts	1,110,800	1,251,900	1,466,600	1,075,700
Total Restricted Funds	1,110,800	1,251,900	1,500,000	1,075,700
Federal Funds				
Current Receipts	700,000	700,000	700,000	700,000
Total Federal Funds	700,000	700,000	700,000	700,000
TOTAL SOURCE OF FUNDS	20,713,000	21,111,900	16,345,200	15,969,900
EXPENDITURES BY CLASS				
Personnel Cost	11,149,400	11,830,900	9,309,400	9,593,200
Operating Expenses	8,003,400	6,014,200	5,352,400	4,987,000
Grants, Loans or Benefits	489,000	489,000	440,700	440,700
Debt Service		1,445,000		49,000
Capital Outlay	1,071,200	1,332,800	1,242,700	900,000
TOTAL EXPENDITURES	20,713,000	21,111,900	16,345,200	15,969,900
EXPENDITURES BY FUND SOURCE				
General Fund	18,902,200	19,160,000	14,145,200	14,194,200
Restricted Funds	1,110,800	1,251,900	1,500,000	1,075,700
Federal Funds	700,000	700,000	700,000	700,000
TOTAL EXPENDITURES	20,713,000	21,111,900	16,345,200	15,969,900
EXPENDITURES BY UNIT				
General Administration and Support	2,539,800	2,648,800	2,363,200	2,453,600
Broadcasting and Education	11,544,800	13,230,100	9,738,400	9,514,600
Engineering	6,628,400	5,233,000	4,243,600	4,001,700
TOTAL EXPENDITURES	20,713,000	21,111,900	16,345,200	15,969,900

As required by KRS 168, the Kentucky Authority for Educational Television (KET) produces and transmits educational programming for students in public schools, state supported institutions of higher education, and others desiring broadcast programs and services. KET is divided into three program areas: General Administration and Support, Engineering, and Broadcasting and Education. KET operates a statewide network of 16 digital transmitters, 16 analog transmitters and three translators. KET currently distributes as many as six channels of content across the Commonwealth by means of its digital transmitter network with educational and informational services for the schools and students listed previously and for the general public with digital data services for Public Health, Emergency Management, law enforcement, the Transportation Cabinet, and others as needs are uncovered.

Policy

Included in the above General Fund appropriation is \$49,000 in fiscal year 2005-2006 for debt service to support new bonds as set forth in Part II, Capital Projects Budget, House Bill 267 as enacted by the 2005 General Assembly.

**Education Cabinet
Kentucky Educational Television
General Administration and Support**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,539,800	2,648,800	2,363,200	2,453,600
Total General Fund	2,539,800	2,648,800	2,363,200	2,453,600
TOTAL SOURCE OF FUNDS	2,539,800	2,648,800	2,363,200	2,453,600
EXPENDITURES BY CLASS				
Personnel Cost	1,645,500	1,765,900	1,538,300	1,576,700
Operating Expenses	894,300	882,900	824,900	827,900
Debt Service				49,000
TOTAL EXPENDITURES	2,539,800	2,648,800	2,363,200	2,453,600
EXPENDITURES BY FUND SOURCE				
General Fund	2,539,800	2,648,800	2,363,200	2,453,600
TOTAL EXPENDITURES	2,539,800	2,648,800	2,363,200	2,453,600

The General Administration and Support Unit oversees the implementation of Kentucky Educational Television's (KET) mission as directed by the Kentucky Authority for Educational Television. KET was established by the Kentucky General Assembly in the early 1960's for the purpose of supporting educational excellence in the Commonwealth. The agency's mission includes service the citizens of the Commonwealth in the home, in institutions of education and in the workplace.

This unit recommends and carries out the policies of the Authority in all matters of the agency. The unit assures that the agency is in compliance with pertinent state regulations and federal broadcast laws. The Unit also works to ascertain the desires of the citizens of the Commonwealth.

The unit carries out research and planning activities to verify the needs of current and potential audiences. It then works to assure effective, efficient and appropriate service to those audiences. Major areas of agency effort include programs and services in public affairs, K-12 student learning and teacher training, adult basic education, higher education, outreach programs on important state issues, and cultural and performing arts programs.

The Unit recognizes that coordination of efforts with other agencies, organizations and institutions is essential to effective service. It works to insure complementing, productive, non-duplicative efforts with groups such as the Kentucky Department of Education, the Commonwealth Office of Technology, Workforce Development, colleges and universities including KCTCS, and the Council on Postsecondary Education, and all public schools and school districts throughout the state.

The General Administration and Support Unit also conducts activities which lead to constructive recommendations on current practice and future directions of telecommunications for the Commonwealth. Technologies that the agency currently exploits or will shortly include broadcast (analog and digital), microwave transmission, two-way audio and video conferencing through the Kentucky Telelinking Network, the Internet and Internet 2, KPEN (The Kentucky Post-secondary Educational Network), digital data-casting through its new digital broadcast network and of course, more traditional technologies such as CD, DVD and video tape.

**Education Cabinet
Kentucky Educational Television
Broadcasting and Education**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	10,820,100	12,364,300	8,624,500	8,825,000
Total General Fund	10,820,100	12,364,300	8,624,500	8,825,000
Restricted Funds				
Balance Forward			33,400	
Current Receipts	724,700	865,800	1,080,500	689,600
Total Restricted Funds	724,700	865,800	1,113,900	689,600
TOTAL SOURCE OF FUNDS	11,544,800	13,230,100	9,738,400	9,514,600
EXPENDITURES BY CLASS				
Personnel Cost	7,306,100	7,677,700	5,744,000	5,930,400
Operating Expenses	3,549,700	3,418,400	3,011,000	2,943,500
Grants, Loans or Benefits	489,000	489,000	440,700	440,700
Debt Service		1,445,000		
Capital Outlay	200,000	200,000	542,700	200,000
TOTAL EXPENDITURES	11,544,800	13,230,100	9,738,400	9,514,600
EXPENDITURES BY FUND SOURCE				
General Fund	10,820,100	12,364,300	8,624,500	8,825,000
Restricted Funds	724,700	865,800	1,113,900	689,600
TOTAL EXPENDITURES	11,544,800	13,230,100	9,738,400	9,514,600

The Broadcasting and Education Unit acquires and produces programs and related support material which will be most effectively carry out the mission and policies set by the Authority. This process includes soliciting feedback from appropriate audiences and seeking input from agencies and groups such as the Kentucky Department of Education and the Higher Education Telecommunications Consortium. The Unit daily assembles up to 6 channels of television programming (KET1 and KET2 for public and general informational programming, KET3 and KET4 for the students and teachers of Kentucky, and KET5 and KET6 which carry the activities of the Kentucky General Assembly when in session or in committee as well as occasional special feeds for the State Department of Education, KCTCS or other partners as needed).

One category of programming is aimed at needs of students at all levels. Instructional programming for elementary and secondary schools directly support KERA's learning goals and outcomes. The Unit produces interactive and other distance learning courses designed to provide equal access to a variety of learning opportunities for all students. It produces professional development opportunities for educators throughout the state. It also provides for the delivery of college courses to post-secondary students across the Commonwealth. The Unit also broadcasts programs designed to help people in the workplace. Acquired and / or locally produced programming services are delivered to under-educated adults, professionals in need of training, and other citizens with various needs related to their jobs and professions. The unit also produces multiple schedules of national and locally produced programs for citizens at home and the workplace. This includes educational and public affairs programming and quality arts experiences for all Kentuckians. A full line-up of educational children's programs offers a quality alternative to commercial television viewing.

A state-wide, regional support staff of instructional and technical specialists provide training, information and help to users with technical issues. This service is provided freely to educational institutions and to citizens in their homes and in the workplace. The Operations staff maintains and operates network master control, studio and remote facilities. Now with the initial phases of digital broadcasting complete, this staff is faced with the challenge of operating and maintaining both analog and digital transmission systems until the analog spectrum is returned by law to the federal government by the end of 2006 or later.

**Education Cabinet
Kentucky Educational Television
Engineering**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	5,542,300	4,146,900	3,157,500	2,915,600
Total General Fund	5,542,300	4,146,900	3,157,500	2,915,600
Restricted Funds				
Current Receipts	386,100	386,100	386,100	386,100
Total Restricted Funds	386,100	386,100	386,100	386,100
Federal Funds				
Current Receipts	700,000	700,000	700,000	700,000
Total Federal Funds	700,000	700,000	700,000	700,000
TOTAL SOURCE OF FUNDS	6,628,400	5,233,000	4,243,600	4,001,700
EXPENDITURES BY CLASS				
Personnel Cost	2,197,800	2,387,300	2,027,100	2,086,100
Operating Expenses	3,559,400	1,712,900	1,516,500	1,215,600
Capital Outlay	871,200	1,132,800	700,000	700,000
TOTAL EXPENDITURES	6,628,400	5,233,000	4,243,600	4,001,700
EXPENDITURES BY FUND SOURCE				
General Fund	5,542,300	4,146,900	3,157,500	2,915,600
Restricted Funds	386,100	386,100	386,100	386,100
Federal Funds	700,000	700,000	700,000	700,000
TOTAL EXPENDITURES	6,628,400	5,233,000	4,243,600	4,001,700

KET's Engineering Service Unit oversees the delivery of KET programs and other services. It operates and maintains a land-based broadcast network of 16 analog and 16 digital transmitters and 3 translators capable of delivering multiple channels of content and data into all parts of the state. This network is the largest public television network in the United States, second in the world to the public network in Japan, NHK. The Engineering Service Unit operates all technical equipment to specifications mandated by the Federal Communications Commission (FCC).

This unit is currently exploring and developing new digital data services through its new transmitter network and in partnership with the Cabinet for Health and Human Services, the Transportation Cabinet, Emergency Management, law enforcement and other agencies to enhance the state's preparedness for disasters on the local, state and national levels and to provide data transmission services where data services are otherwise not available or marginal.

Engineering continues to develop new uses of technologies that can extend the capacity of KET's staff and financial resources. It works to interface KET's technical capabilities with other appropriate technical systems in Kentucky and elsewhere, further extending the variety, reach, accessibility and versatility of KET services to the Commonwealth.

**Education Cabinet
School Facilities Construction Commission**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	91,827,700	98,257,000	91,246,900	111,142,400
Total General Fund	91,827,700	98,257,000	91,246,900	111,142,400
Restricted Funds				
Non-Revenue Receipts	2,290,000	2,290,000		
Total Restricted Funds	2,290,000	2,290,000		
TOTAL SOURCE OF FUNDS	94,117,700	100,547,000	91,246,900	111,142,400
EXPENDITURES BY CLASS				
Personnel Cost	231,300	249,200	219,700	224,800
Operating Expenses	33,400	33,700	27,200	27,500
Debt Service	94,795,600	102,592,000	91,000,000	110,890,100
TOTAL EXPENDITURES	95,060,300	102,874,900	91,246,900	111,142,400
EXPENDITURES BY FUND SOURCE				
General Fund	91,827,700	98,257,000	91,246,900	111,142,400
Restricted Funds	3,232,600	4,617,900		
TOTAL EXPENDITURES	95,060,300	102,874,900	91,246,900	111,142,400
EXPENDITURES BY UNIT				
School Facilities Construction Commission	95,006,200	102,816,500	91,195,500	111,089,600
Education Technology	54,100	58,400	51,400	52,800
TOTAL EXPENDITURES	95,060,300	102,874,900	91,246,900	111,142,400

The School Facilities Construction Commission, created by the 1985 Extraordinary Session of the General Assembly (KRS 157.611 et seq.), exists to assist local school districts with their school building needs. The School Facilities Construction Commission is responsible for the distribution of available state funds to eligible local school districts which have demonstrated a reasonable local effort to provide adequate school facilities but still have unmet building needs. The Commission is empowered to act on behalf of local school districts to issue bonds in the name of the Commission and to enter into lease arrangements with local boards of education to finance construction of new facilities or major renovation of existing school facilities.

Administration of offers of assistance to local school districts made under the auspices of the Kentucky Education Technology System (KETS) is performed by staff attached to the School Facilities Construction Commission.

Policy

The Budget of the Commonwealth includes increases in debt service necessary to fulfill commitments made by previous sessions of the General Assembly in authorizing additional bonded indebtedness and related offers of assistance to local school districts.

The enacted budget includes \$4,031,800 in additional General Funds in fiscal year 2005 and \$15,623,700 in additional General Funds in fiscal year 2006 to: 1) fulfill the commitment made by the 2000 Regular Session of the General Assembly for \$100 million in bonded indebtedness for local school construction and renovation; 2) fulfill the commitment made by the 2003 Regular Session of the General Assembly for an additional \$100 million in bonded indebtedness for school construction and renovation; 3) fulfill the commitment made by the 2003 Regular Session of the General Assembly to the Fayette County

public school system for \$4.6 million in bonded indebtedness; and 4) fulfill the commitment made by the 2003 Regular Session of the General Assembly for \$110 million in bonded indebtedness to address the needs of Category 5 (worst condition) schools.

The Budget of the Commonwealth includes \$7,723,400 in new debt service in fiscal year 2006 in support of \$91,536,000 of new bonding authority for additional Urgent Need school building projects. The enacted budget also includes \$574,700 in debt service in fiscal year 2006 in support of \$6,811,300 in increased bonding authority to accommodate additional construction costs associated with Urgent Need and Category 5 schools' projects authorized by the 2003 Regular Session of the General Assembly.

The enacted budget also authorizes \$100,000,000 in new offers of assistance during the 2004-2006 biennium in anticipation of debt service availability during the 2006-2008 biennium. No bonded indebtedness based on the new offers is to be incurred during the 2004-2006 biennium.

**Education Cabinet
Deaf and Hard of Hearing**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,035,200	1,120,000	821,100	821,100
Total General Fund	1,035,200	1,120,000	821,100	821,100
Restricted Funds				
Balance Forward	61,300	31,200	72,500	32,300
Current Receipts	229,900	228,800	252,000	252,000
Total Restricted Funds	291,200	260,000	324,500	284,300
TOTAL SOURCE OF FUNDS	1,326,400	1,380,000	1,145,600	1,105,400
EXPENDITURES BY CLASS				
Personnel Cost	882,100	970,300	766,600	752,900
Operating Expenses	413,100	409,700	346,700	320,200
TOTAL EXPENDITURES	1,295,200	1,380,000	1,113,300	1,073,100
EXPENDITURES BY FUND SOURCE				
General Fund	1,035,200	1,120,000	821,100	821,100
Restricted Funds	260,000	260,000	292,200	252,000
TOTAL EXPENDITURES	1,295,200	1,380,000	1,113,300	1,073,100
EXPENDITURES BY UNIT				
Commission on the Deaf and Hard of Hearing	1,295,200	1,380,000	1,113,300	1,073,100
TOTAL EXPENDITURES	1,295,200	1,380,000	1,113,300	1,073,100

In accordance with KRS 163.500 - 163.525, the Commission on the Deaf and Hard of Hearing advises the Governor and the General Assembly concerning policies and programs to enhance the quality and coordination of services for deaf and hard of hearing individuals in both the public and private sectors. The Commission oversees the provision of interpreter services to deaf and hard of hearing individuals. The Commission identifies and evaluates public and private entities that provide services to deaf and hard of hearing residents of Kentucky for information, referral, and advocacy services. The Commission administers a TDD Distribution program which distributes specialized telecommunications equipment to qualified deaf, hard of hearing, and speech-impaired residents of Kentucky. The Commission assists local, state, and federal governments and public and private agencies in the development of programs for the deaf and hard of hearing. The Commission reviews legislative programs relating to services to deaf and hard of hearing persons and conducts studies of conditions affecting the health and welfare of the deaf and hard of hearing.

Policy

Included in the above restricted funds appropriation is \$35,000 in fiscal year 2004-2005 for distribution of communications equipment to hard-of-hearing constituents.

**Education Cabinet
Environmental Education Council**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	10,400	19,200		
Total General Fund	<u>10,400</u>	<u>19,200</u>		
Restricted Funds				
Balance Forward	78,300	78,300	106,200	111,000
Current Receipts	42,000	42,000	42,000	42,000
Non-Revenue Receipts	300,000	300,000	305,400	150,000
Total Restricted Funds	<u>420,300</u>	<u>420,300</u>	<u>453,600</u>	<u>303,000</u>
TOTAL SOURCE OF FUNDS	<u>430,700</u>	<u>439,500</u>	<u>453,600</u>	<u>303,000</u>
EXPENDITURES BY CLASS				
Personnel Cost	122,700	131,500	112,600	114,800
Operating Expenses	44,900	44,900	44,200	37,600
Grants, Loans or Benefits	184,800	184,800	185,800	34,800
TOTAL EXPENDITURES	<u>352,400</u>	<u>361,200</u>	<u>342,600</u>	<u>187,200</u>
EXPENDITURES BY FUND SOURCE				
General Fund	10,400	19,200		
Restricted Funds	342,000	342,000	342,600	187,200
TOTAL EXPENDITURES	<u>352,400</u>	<u>361,200</u>	<u>342,600</u>	<u>187,200</u>

The Kentucky Environmental Education Council is dedicated to improving the environmental literacy of all Kentuckians. The Council provides opportunities for all Kentuckians to understand both that environmental problems exist and how each person's actions contribute to the health of the environment. The Council sponsors programs and activities that improve the quality of environmental education in the Commonwealth. These programs and activities include:

- Working with citizens, especially those engaged in environmental education, to implement the master plan for improving environmental education and environmental literacy.
- Working with the Kentucky Department of Education, the Education Professional Standards Board, and the Environmental Education Interagency Committee to establish guidelines for improving professional development in environmental education for educators.
- Establishing standards for environmental education that fit within the Kentucky Department of Education's instructional standards and help insure balanced, ecologically based curriculum and instruction.
- Working to ensure that environmental education is equitably distributed to all Kentuckians.

Policy

Included in the above restricted funds appropriation is \$155,400 in fiscal year 2004-2005 for execution of its Environmental Education Master Plan pursuant to KRS 224.43-505(2)(b).

**Education Cabinet
Libraries and Archives**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	22,506,800	23,700,100	13,300,000	13,300,000
Total General Fund	22,506,800	23,700,100	13,300,000	13,300,000
Restricted Funds				
Balance Forward	359,500	233,800	306,700	181,000
Current Receipts	1,710,900	1,763,200	1,710,900	1,763,200
Total Restricted Funds	2,070,400	1,997,000	2,017,600	1,944,200
Federal Funds				
Current Receipts	2,374,100	2,379,300	2,774,100	2,379,300
Total Federal Funds	2,374,100	2,379,300	2,774,100	2,379,300
TOTAL SOURCE OF FUNDS	26,951,300	28,076,400	18,091,700	17,623,500
EXPENDITURES BY CLASS				
Personnel Cost	8,066,000	8,721,100	6,891,100	7,083,600
Operating Expenses	3,765,100	3,768,000	3,618,100	3,646,000
Grants, Loans or Benefits	14,267,500	14,317,500	7,361,500	6,814,900
Debt Service		962,000		
Capital Outlay	618,900	220,500	40,000	40,000
TOTAL EXPENDITURES	26,717,500	27,989,100	17,910,700	17,584,500
EXPENDITURES BY FUND SOURCE				
General Fund	22,506,800	23,700,100	13,300,000	13,300,000
Restricted Funds	1,836,600	1,909,700	1,836,600	1,905,200
Federal Funds	2,374,100	2,379,300	2,774,100	2,379,300
TOTAL EXPENDITURES	26,717,500	27,989,100	17,910,700	17,584,500
EXPENDITURES BY UNIT				
General Operations	12,193,500	13,415,100	10,899,700	10,720,100
Direct Local Aid	14,524,000	14,574,000	7,011,000	6,864,400
TOTAL EXPENDITURES	26,717,500	27,989,100	17,910,700	17,584,500

The Department for Libraries and Archives supports and promotes equitable access to quality library services and information resources, and ensures that adequate documentation of government programs is created, maintained, and available for public use.

The Department is directed by three goals: (1) to provide effective services that meet the needs of library and public records customers; (2) to build effective and productive partnerships with other organizations and public agencies for enhanced management of and access to information and services; and, (3) to improve employee job satisfaction and agency operations.

The Department serves both governmental agencies and the people of Kentucky directly through local public libraries. The Department also serves several distinct customer populations including the general public, the blind and physically disabled, institutionalized persons, state government personnel, state and local public agencies, and researchers needing historic public records.

**Education Cabinet
Libraries and Archives
General Operations**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	8,415,800	9,559,100	6,722,000	6,868,600
Total General Fund	<u>8,415,800</u>	<u>9,559,100</u>	<u>6,722,000</u>	<u>6,868,600</u>
Restricted Funds				
Balance Forward	341,000	223,800	306,700	171,000
Current Receipts	1,710,400	1,762,700	1,710,400	1,762,700
Non-Revenue Receipts			-18,500	
Total Restricted Funds	<u>2,051,400</u>	<u>1,986,500</u>	<u>1,998,600</u>	<u>1,933,700</u>
Federal Funds				
Current Receipts	1,950,100	1,955,300	2,350,100	1,955,300
Total Federal Funds	<u>1,950,100</u>	<u>1,955,300</u>	<u>2,350,100</u>	<u>1,955,300</u>
TOTAL SOURCE OF FUNDS	<u>12,417,300</u>	<u>13,500,900</u>	<u>11,070,700</u>	<u>10,757,600</u>
EXPENDITURES BY CLASS				
Personnel Cost	8,066,000	8,721,100	6,891,100	7,083,600
Operating Expenses	3,604,600	3,607,500	3,491,600	3,519,500
Grants, Loans or Benefits	77,000	77,000	477,000	77,000
Debt Service		962,000		
Capital Outlay	445,900	47,500	40,000	40,000
TOTAL EXPENDITURES	<u>12,193,500</u>	<u>13,415,100</u>	<u>10,899,700</u>	<u>10,720,100</u>
EXPENDITURES BY FUND SOURCE				
General Fund	8,415,800	9,559,100	6,722,000	6,868,600
Restricted Funds	1,827,600	1,900,700	1,827,600	1,896,200
Federal Funds	1,950,100	1,955,300	2,350,100	1,955,300
TOTAL EXPENDITURES	<u>12,193,500</u>	<u>13,415,100</u>	<u>10,899,700</u>	<u>10,720,100</u>
EXPENDITURES BY UNIT				
Administrative Services	3,653,700	3,503,200	3,265,700	3,330,200
Field Services	2,599,100	2,741,900	2,274,000	2,020,000
State Library Services	2,327,700	2,460,600	2,094,200	2,028,100
Public Records	3,613,000	4,709,400	3,265,800	3,341,800
TOTAL EXPENDITURES	<u>12,193,500</u>	<u>13,415,100</u>	<u>10,899,700</u>	<u>10,720,100</u>

**Education Cabinet
Libraries and Archives
General Operations
Administrative Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,928,600	2,775,700	2,540,600	2,602,700
Total General Fund	2,928,600	2,775,700	2,540,600	2,602,700
Restricted Funds				
Balance Forward	33,300	7,400	21,500	7,400
Non-Revenue Receipts			11,800	
Total Restricted Funds	33,300	7,400	33,300	7,400
Federal Funds				
Current Receipts	699,200	720,100	699,200	720,100
Total Federal Funds	699,200	720,100	699,200	720,100
TOTAL SOURCE OF FUNDS	3,661,100	3,503,200	3,273,100	3,330,200
EXPENDITURES BY CLASS				
Personnel Cost	1,557,200	1,678,300	1,468,700	1,505,300
Operating Expenses	1,782,000	1,774,900	1,747,000	1,774,900
Grants, Loans or Benefits	10,000	10,000	10,000	10,000
Capital Outlay	304,500	40,000	40,000	40,000
TOTAL EXPENDITURES	3,653,700	3,503,200	3,265,700	3,330,200
EXPENDITURES BY FUND SOURCE				
General Fund	2,928,600	2,775,700	2,540,600	2,602,700
Restricted Funds	25,900	7,400	25,900	7,400
Federal Funds	699,200	720,100	699,200	720,100
TOTAL EXPENDITURES	3,653,700	3,503,200	3,265,700	3,330,200

The Commissioner's Office sets overall policy and direction for the Department and provides communication advice and support to each division. The Office supports the activities of the State Advisory Council on Libraries, chairs the Archives and Records Commission, and serves on the State Information Systems Commission, the Communications Advisory Committee, and the Oral History Commission.

The Division of Administrative Services formulates and implements executive direction for planning, policy, and procedures for the Department in accordance with KRS Chapter 171. The Division provides administrative support to the program areas of the Department. This division funds and supports the activities of the Commissioner's Office, as well as those of the Financial, Personnel and Payroll, Federal Grants Management, Information Systems, Building Facilities, and Administrative Support units.

**Education Cabinet
Libraries and Archives
General Operations
Field Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,092,700	2,265,300	1,467,600	1,543,400
Total General Fund	2,092,700	2,265,300	1,467,600	1,543,400
Restricted Funds				
Balance Forward	32,400	15,000	80,100	32,500
Current Receipts	29,000	31,400	29,000	31,400
Non-Revenue Receipts			-30,200	
Total Restricted Funds	61,400	46,400	78,900	63,900
Federal Funds				
Current Receipts	460,000	430,200	760,000	430,200
Total Federal Funds	460,000	430,200	760,000	430,200
TOTAL SOURCE OF FUNDS	2,614,100	2,741,900	2,306,500	2,037,500
EXPENDITURES BY CLASS				
Personnel Cost	2,292,100	2,481,300	1,713,400	1,759,400
Operating Expenses	193,600	193,600	193,600	193,600
Grants, Loans or Benefits	67,000	67,000	367,000	67,000
Capital Outlay	46,400			
TOTAL EXPENDITURES	2,599,100	2,741,900	2,274,000	2,020,000
EXPENDITURES BY FUND SOURCE				
General Fund	2,092,700	2,265,300	1,467,600	1,543,400
Restricted Funds	46,400	46,400	46,400	46,400
Federal Funds	460,000	430,200	760,000	430,200
TOTAL EXPENDITURES	2,599,100	2,741,900	2,274,000	2,020,000

The Division of Field Services supports Kentucky's public libraries for the improvement of library services by providing consultation, technical assistance, and financial aid. The Division provides services pursuant to KRS Chapter 171.

This division's Public Library Development Branch includes professional and technical staff who provide consultative and technical assistance concerning public library services and programs provided by the Department. The staff is located in regional offices that are mainly housed in local public libraries.

The Program Development Branch provides statewide guidance in specialized library services. This office plans and implements statewide continuing education programs. Services are also provided for technological development, automated operations, and statistical analysis. Branch staff provide consulting services in the areas of library construction; assistance in developing early childhood, children's, and young adult programs and materials; and provides administrative support to the Kentucky State Board for the Certification of Librarians.

The Kentucky Talking Book Library and Institutions Branch provides special library materials and playback equipment to eligible service clientele. Volunteers record materials that are of special interest to Kentucky Talking Book patrons, and department staff coordinate distribution. The Branch also provides library materials and professional consultation to state residential institution libraries.

**Education Cabinet
Libraries and Archives
General Operations
State Library Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,591,200	1,706,100	1,257,700	1,278,100
Total General Fund	1,591,200	1,706,100	1,257,700	1,278,100
Restricted Funds				
Balance Forward	6,600	7,700	900	1,900
Current Receipts	1,100	1,100	1,100	1,100
Non-Revenue Receipts			-100	
Total Restricted Funds	7,700	8,800	1,900	3,000
Federal Funds				
Current Receipts	736,500	747,000	836,500	747,000
Total Federal Funds	736,500	747,000	836,500	747,000
TOTAL SOURCE OF FUNDS	2,335,400	2,461,900	2,096,100	2,028,100
EXPENDITURES BY CLASS				
Personnel Cost	1,356,800	1,472,200	1,101,300	1,135,200
Operating Expenses	970,900	980,900	892,900	892,900
Grants, Loans or Benefits			100,000	
Capital Outlay		7,500		
TOTAL EXPENDITURES	2,327,700	2,460,600	2,094,200	2,028,100
EXPENDITURES BY FUND SOURCE				
General Fund	1,591,200	1,706,100	1,257,700	1,278,100
Restricted Funds		7,500		3,000
Federal Funds	736,500	747,000	836,500	747,000
TOTAL EXPENDITURES	2,327,700	2,460,600	2,094,200	2,028,100

The Division of State Library Services operates the State Library that serves state government personnel, public libraries, other institutions, and individuals. In an effort to equalize library services and access to information across the state, this division promotes and maintains cooperative arrangements for information and resource sharing among all types of libraries, library consortia, and information centers, including state agencies, as mandated by Chapter 171.

State Library Support is the administrative unit of the division and provides coordinated program planning and control to ensure the best service in a cost-effective manner. The unit directs the statewide library resource sharing activities of the Department, including direct service delivery, coordination of activities on a statewide basis, and support via direct local aid. The Department works closely with the Kentucky Virtual Library (KYVL) in the delivery of services and coordination of activities, and also participates as an individual library institution.

The Public Services Branch is committed to providing resources, research, consultation, and assistance to state agencies and public libraries through use of a variety of information formats including the Internet. The State Library partners with the Governmental Services Center (GSC) and the Kentucky Employees Assistance Program (KEAP) to provide supplementary information resources for those agencies' clients through the Library's web site.

The Audiovisual unit of the branch provides a centralized collection of videos and films that are loaned without a fee to public libraries, state agencies, and walk-in customers. The unit is unique in that it is the only major source of films and "public performance" videos in the Commonwealth. The primary needs are for children's films suitable for large audience viewing and videos designed for adult training and education.

The Technical Support Branch provides computerized access to information for the State Library's collections and public libraries. The branch serves as a model for quality control throughout the state, and supplies training and consulting services to librarians and state agency personnel involved in the organization of reference materials.

**Education Cabinet
Libraries and Archives
General Operations
Public Records**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,803,300	2,812,000	1,456,100	1,444,400
Total General Fund	1,803,300	2,812,000	1,456,100	1,444,400
Restricted Funds				
Balance Forward	268,700	193,700	204,200	129,200
Current Receipts	1,680,300	1,730,200	1,680,300	1,730,200
Total Restricted Funds	1,949,000	1,923,900	1,884,500	1,859,400
Federal Funds				
Current Receipts	54,400	58,000	54,400	58,000
Total Federal Funds	54,400	58,000	54,400	58,000
TOTAL SOURCE OF FUNDS	3,806,700	4,793,900	3,395,000	3,361,800
EXPENDITURES BY CLASS				
Personnel Cost	2,859,900	3,089,300	2,607,700	2,683,700
Operating Expenses	658,100	658,100	658,100	658,100
Debt Service		962,000		
Capital Outlay	95,000			
TOTAL EXPENDITURES	3,613,000	4,709,400	3,265,800	3,341,800
EXPENDITURES BY FUND SOURCE				
General Fund	1,803,300	2,812,000	1,456,100	1,444,400
Restricted Funds	1,755,300	1,839,400	1,755,300	1,839,400
Federal Funds	54,400	58,000	54,400	58,000
TOTAL EXPENDITURES	3,613,000	4,709,400	3,265,800	3,341,800

The Division of Public Records, under KRS 171.410-740, works with government agencies to ensure creation and preservation of documentation of agencies' organizational functions, policies, decisions, procedures, and essential transactions, as well as information that protects the legal and financial rights of government and of individuals directly affected by an agency's activities. The Division establishes standards, procedures, and administrative regulations for recording, managing, preserving, and reproducing government records. It works with the heads of state and local government agencies to ensure that they create and maintain active programs for the efficient management of their records.

The Public Records Support Office provides overall policy development, coordination of program planning, and administrative direction of division programs in public records administration and archival management.

The State Records Branch assists state agencies, boards and commissions, public universities, and judicial offices in developing and maintaining programs to manage government information. Branch staff manage the State Records Center for high volume storage of non-permanent records still in business use.

The Archival Services Branch operates the state's central repository for valuable government records. It serves as the official point of access for state government information. The Branch is also involved in a variety of outreach and educational activities that inform public officials and the general public about the wealth and range of materials housed at the State Archives.

The Technology Analysis and Support Branch provides support to agencies on archival and records management considerations in the application of information technology. It works with other units to provide guidance to public agencies on the management of electronic records and oversees the work of the department's Document Preservation Laboratory.

This includes professional consulting, education and training programs, records disaster recovery assistance, and laboratory conservation treatment.

The Image Management Branch provides centralized image management and micrographics services to state and local government agencies on a cost recovery basis. These central services help improve and speed access to information, reduce the volume of paper-based files, and ensure archival preservation of information contained in fragile paper records.

The Local Records Branch assists local government agencies in implementing and maintaining archives and records management programs.

**Education Cabinet
Libraries and Archives
Direct Local Aid**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	14,091,000	14,141,000	6,578,000	6,431,400
Total General Fund	14,091,000	14,141,000	6,578,000	6,431,400
Restricted Funds				
Balance Forward	18,500	10,000		10,000
Current Receipts	500	500	500	500
Non-Revenue Receipts			18,500	
Total Restricted Funds	19,000	10,500	19,000	10,500
Federal Funds				
Current Receipts	424,000	424,000	424,000	424,000
Total Federal Funds	424,000	424,000	424,000	424,000
TOTAL SOURCE OF FUNDS	14,534,000	14,575,500	7,021,000	6,865,900
EXPENDITURES BY CLASS				
Operating Expenses	160,500	160,500	126,500	126,500
Grants, Loans or Benefits	14,190,500	14,240,500	6,884,500	6,737,900
Capital Outlay	173,000	173,000		
TOTAL EXPENDITURES	14,524,000	14,574,000	7,011,000	6,864,400
EXPENDITURES BY FUND SOURCE				
General Fund	14,091,000	14,141,000	6,578,000	6,431,400
Restricted Funds	9,000	9,000	9,000	9,000
Federal Funds	424,000	424,000	424,000	424,000
TOTAL EXPENDITURES	14,524,000	14,574,000	7,011,000	6,864,400
EXPENDITURES BY UNIT				
Field Services	13,099,000	13,099,000	5,864,500	5,864,500
State Library Services	745,000	795,000	591,000	519,900
Public Records	680,000	680,000	555,500	480,000
TOTAL EXPENDITURES	14,524,000	14,574,000	7,011,000	6,864,400

Direct Local Aid provides the following services to citizens of the Commonwealth:

- Federal grants are provided for continuing education, training, and demonstration projects.
- State Aid provides cash grants to all counties with legally established public libraries. The grant funds may be used for the following purposes: purchase, upgrading, and maintenance of technology resources; purchase of library materials and equipment; maintenance and operation of bookmobiles and extension programs; staff and trustee training and compensation; building maintenance; debt service; resource-sharing; program development; and certain other local library needs and services.
- The Bookmobile program furnishes and replaces bookmobiles used by Kentucky's public libraries. The bookmobiles provide informational and educational resources to those who cannot physically reach a public library. Bookmobiles make regular stops at schools, daycare centers, and after-school centers. Services are also provided to the elderly and homebound individuals. Funds are also provided for maintenance and repair of existing bookmobiles. Services are provided as funds are available.
- Construction grants are available through a competitive application process to assist with retiring debt associated with the construction or repair of library facilities.
- Institution grants are given to two local libraries to administer library service in three state prisons. The Danville Library works with the Northpoint Training Center, and the Oldham County Public Library works with the Kentucky State Reformatory and the Kentucky Correctional Institution for Women.

- Kentucky Talking Book Library grants are given to assist in the delivery of services directly to blind and physically disabled library patrons.
- Local Records grants provide funds to assist local governments with the protection and preservation of public records, and the improvement of local government records management programs.

These services are administered by the Department's program divisions: Field Services, State Library Services, and Public Records. Direct services include cash grants, library materials, and bookmobiles.

Policy

Included in the above General Fund appropriation is \$4,000,000 in each fiscal year to award per capita grants. Notwithstanding KRS 171.201, the allotment of General Fund dollars distributed to each local library district shall not be less than received in fiscal year 2003-2004.

**Education Cabinet
Teachers' Retirement System**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	130,069,400	119,254,800	109,018,800	130,799,600
Total General Fund	130,069,400	119,254,800	109,018,800	130,799,600
Restricted Funds				
Non-Revenue Receipts	8,147,900	8,613,500	8,147,900	8,613,500
Total Restricted Funds	8,147,900	8,613,500	8,147,900	8,613,500
TOTAL SOURCE OF FUNDS	138,217,300	127,868,300	117,166,700	139,413,100
EXPENDITURES BY CLASS				
Personnel Cost	6,719,200	7,145,600	6,719,200	7,145,600
Operating Expenses	1,346,000	1,385,200	1,346,000	1,385,200
Grants, Loans or Benefits	130,069,400	119,254,800	109,018,800	130,799,600
Capital Outlay	82,700	82,700	82,700	82,700
TOTAL EXPENDITURES	138,217,300	127,868,300	117,166,700	139,413,100
EXPENDITURES BY FUND SOURCE				
General Fund	130,069,400	119,254,800	109,018,800	130,799,600
Restricted Funds	8,147,900	8,613,500	8,147,900	8,613,500
TOTAL EXPENDITURES	138,217,300	127,868,300	117,166,700	139,413,100

The Teachers' Retirement System, as defined in KRS 161.220-161.716, was established in 1940 to provide a broad program of retirement benefits, death and survivor benefits, medical insurance benefits, and disability benefits to its membership.

Administration of the System is the responsibility of the nine-member Board of Trustees. Two of the members are ex-officio, serving by reason of their constitutional offices. They are the Commissioner of Education and the State Treasurer. The members of the Retirement System elect the remaining seven trustees for four-year terms. Four of these must be active members of the Retirement System, one must be a retired member, and two must be persons from outside the teaching profession. The Board of Trustees appoints an Executive Secretary who is responsible for the administration of the affairs of the Retirement System under policies established by the Board. The most important objectives of the Board of Trustees are to maintain a retirement system that is actuarially sound and to maintain member benefits at a level that is comparable with the benefits provided other state employees through the Kentucky Employees' Retirement System and the Social Security System.

Membership is comprised of all persons occupying positions in the public elementary or secondary schools for which certification is required. In addition, staff members of Western Kentucky University, Eastern Kentucky University, Morehead State University, Murray State University, Kentucky State University, professional staff of the Department of Education, Cabinet for Workforce Development, faculty members of the School for the Deaf, the School for the Blind, as well as faculty of the state and area vocational schools are members. Membership is mandatory for all persons teaching in the public schools or other institutions covered by the statutes governing teachers' retirement.

Benefits are financed through member contributions, corresponding contributions by the state, and income accruing from the invested reserves of the system. The General Assembly has set the member and state contribution rate at 9.855 percent of gross salary. University faculty members contribute 8.375 percent of gross salary and the state matches this amount. In addition, each employer contributes an overmatch of 3.25 percent of gross salary to help reduce the system's unfunded liability. The reserves of the agency are invested in a manner that will provide a reasonable rate of return with major emphasis on the protection of the reserves.

The employer match for Department of Education, the Cabinet for Workforce Development, and university employees is budgeted within the Department, the Cabinet, and the affected universities and is then transferred to the Teachers' Retirement System.

Funding for the employer match on behalf of local school district members is provided as an adjunct to the Support Education Excellence in Kentucky program (SEEK) within the Department of Education.

Policy

The Budget of the Commonwealth includes sufficient General Fund support to meet the amortized cost of previously enacted cost-of-living adjustments (COLAs) and other benefit improvements for system members.

The enacted budget includes \$9,282,500 in General Fund support in fiscal year 2006 toward making up for underestimates of required state appropriations to the system in fiscal year 2002 and fiscal year 2003.

The enacted budget includes \$3,669,700 in fiscal year 2005 and \$8,009,200 in fiscal year 2006 in General Fund support for initial payments on the amortized cost of increased retirement allowances for those recipients retiring during the 2004-2006 biennium who are eligible to add accrued sick leave to their final year of service.

The Budget of the Commonwealth includes \$3,996,200 in fiscal year 2005 and \$7,706,900 in fiscal year 2006 to provide an ad hoc COLA of 0.8 percent in fiscal year 2005 and an additional 0.7 percent in fiscal year 2006 to retired members of the system. These COLAs are in addition to the automatic annual 1.5 percent COLA provided by the retirement system.

The enacted budget provides \$2,228,000 in fiscal year 2005 and \$5,669,500 in fiscal year 2006 for a subsidy for retired members who choose couple, family or parent-plus coverage under the state health insurance plan. These amounts were authorized by the October 2004 Extraordinary Session of the General Assembly. Also provided is \$50,000 in fiscal year 2006 for a subsidy for retired members over age 65 who insure their spouses under age 65 through the state health insurance plan. These amounts were authorized by the October 2004 Extraordinary Session of the General Assembly.

The enacted budget includes \$4,249,600 in fiscal year 2006 as an initial payment to amortize the cost of health insurance for retired teachers during the 2004-2006 biennium. Additional payments in fiscal year 2007 and continuing through fiscal year 2016 will be required to address this cost.

**Education Cabinet
Education Professional Standards Board**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	11,062,900	11,442,400	9,870,800	10,312,000
Continuing Appropriation			842,400	
Total General Fund	11,062,900	11,442,400	10,713,200	10,312,000
Restricted Funds				
Balance Forward	1,017,700	1,017,700	947,200	497,200
Current Receipts	829,600	829,600	829,600	829,600
Fund Transfers			-450,000	
Total Restricted Funds	1,847,300	1,847,300	1,326,800	1,326,800
Federal Funds				
Balance Forward	70,200	62,700	70,200	62,700
Current Receipts	4,375,500	4,375,500	4,371,700	4,367,300
Total Federal Funds	4,445,700	4,438,200	4,441,900	4,430,000
TOTAL SOURCE OF FUNDS	17,355,900	17,727,900	16,481,900	16,068,800
EXPENDITURES BY CLASS				
Personnel Cost	3,090,900	3,349,800	3,750,700	3,002,100
Operating Expenses	3,716,200	3,549,500	3,710,300	3,543,600
Grants, Loans or Benefits	9,408,900	9,760,100	8,461,000	9,275,100
TOTAL EXPENDITURES	16,216,000	16,659,400	15,922,000	15,820,800
EXPENDITURES BY FUND SOURCE				
General Fund	11,062,900	11,442,400	10,713,200	10,312,000
Restricted Funds	829,600	829,600	829,600	1,129,600
Federal Funds	4,383,000	4,387,400	4,379,200	4,379,200
TOTAL EXPENDITURES	16,275,500	16,659,400	15,922,000	15,820,800

Authorized in KRS 161.028, the Education Professional Standards Board (EPSB) is a 17-member body appointed by the Governor to oversee teacher and administrator preparation, internship, and certification.

The EPSB is responsible for issuing, suspending, and revoking of certificates for Kentucky's 45,000 P-12 professional educators, and ensures via an annual review that all professional positions in the state's 176 school districts are appropriately staffed. It is responsible for developing (in cooperation with the Kentucky Department of Education and the Council On Postsecondary Education) a statewide data system, for the collection, interpretation, and dissemination of data relative to the quality of educator preparation, supply, demand, and effectiveness. The board establishes performance-based standards for teacher/administrator preparation and induction, and for the accreditation of the 27 preparation programs at Kentucky's public and independent colleges and universities. It oversees the teacher/administrator assessments and the related Title II reporting, and annually publishes the Kentucky Educator Preparation Program Report Card. It administers the Continuing Education Option, in which teachers can use professional development to renew certification and move up in rank; the National Board Certification incentive programs; the supervising teacher stipend program; and alternative routes to certification, including the Troops to Teachers program.

The EPSB annually provides support to approximately 3,000 teacher interns, 300 principal interns, 2,600 supervising teachers, and 400 prospective National Board-certified teachers.

Policy

The enacted budget uses restricted fund balances to help support certification activities. This use is consistent with and authorized by KRS 161.028.

Included in the above General Fund appropriation is up to \$725,000 in fiscal year 2005 and \$800,000 in fiscal year 2006 to support financial incentives for teachers who are pursuing National Board for Professional Teaching Standards certification.

In fiscal year 2005, restricted funds in the amount of \$450,000 shall be transferred to the credit of the General Fund.

**Education Cabinet
Career and Technical Education**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	29,765,800	35,325,300	25,373,700	31,398,700
Total General Fund	29,765,800	35,325,300	25,373,700	31,398,700
Restricted Funds				
Balance Forward	1,224,600	341,400	1,168,600	285,400
Current Receipts	1,658,700	1,698,200	1,516,400	1,516,400
Non-Revenue Receipts	18,691,400	19,716,100	17,833,200	18,361,000
Total Restricted Funds	21,574,700	21,755,700	20,518,200	20,162,800
Federal Funds				
Current Receipts	15,219,700	15,264,600	15,179,700	15,179,700
Total Federal Funds	15,219,700	15,264,600	15,179,700	15,179,700
TOTAL SOURCE OF FUNDS	66,560,200	72,345,600	61,071,600	66,741,200
EXPENDITURES BY CLASS				
Personnel Cost	38,273,400	42,295,100	34,262,300	35,106,300
Operating Expenses	11,167,200	11,423,200	9,832,300	9,595,500
Grants, Loans or Benefits	16,033,600	16,007,900	16,108,600	19,807,900
Capital Outlay	744,600	2,427,100	583,000	539,200
TOTAL EXPENDITURES	66,218,800	72,153,300	60,786,200	65,048,900
EXPENDITURES BY FUND SOURCE				
General Fund	29,765,800	35,325,300	25,373,700	29,898,700
Restricted Funds	21,233,300	21,563,400	20,232,800	19,970,500
Federal Funds	15,219,700	15,264,600	15,179,700	15,179,700
TOTAL EXPENDITURES	66,218,800	72,153,300	60,786,200	65,048,900
EXPENDITURES BY UNIT				
School Support and Administration	49,643,000	55,509,800	44,647,000	48,909,700
Equipment	1,807,500	1,807,500	1,537,500	1,537,500
Contract Services	971,900	1,011,400	829,600	829,600
Federal Programs	13,769,900	13,798,100	13,745,600	13,745,600
Tech Ed Personnel Committee	26,500	26,500	26,500	26,500
TOTAL EXPENDITURES	66,218,800	72,153,300	60,786,200	65,048,900

The Office for Career and Technical Education has two major statewide roles: the management and operation of the 53 Area Technology Centers serving high school students and workers in business and industry; and serving as the sole state agency for federal funds through the Carl D. Perkins Vocational and Applied Technology Education Act of 1998 (Public Law 105-332).

The Office for Career and Technical Education provides occupational specific education and training for Kentucky's citizens in order to develop a skilled and versatile workforce. The main responsibility is providing education and technical training to youth and incumbent workers that match the needs of Kentucky business and industry. Skill training is directed at high school students who go directly to work after leaving high school, while creating an avenue for continued education

Area Technology Centers are located throughout the Commonwealth in small- to medium-sized counties. These schools are uniquely positioned to serve business and industries in close cooperation with KCTCS. This provides cost-effective measures for training needs of business and industry, and assists in local economic development initiatives. Area Technology

Centers are not only vital in the overall scheme of Kentucky's efforts to better prepare secondary technical students for postsecondary education or employment, but also provide an additional avenue to skill upgrades by incumbent workers in the local businesses and industries.

The 53 Area Technology Centers provide continuing and customized technical education programs on an as-needed basis. This system serves business and industry, as well as adults in the community seeking to enhance their employment opportunities. Area Technology Centers provide opportunities in areas of the Commonwealth where continuing education is not available at a postsecondary institution.

Demand for training programs from business and industry may range from continuing education in computer applications to customized training programs such as robotics.

Training programs are also designed to meet the increasing demands of various state and local regulatory certification requirements. Examples include additional programs in water handling, blood and air borne pathogens, and heating and cooling systems.

The Office coordinates the state plan for the Carl D. Perkins Vocational and Technical Education Act of 1998 (P. L. 105 332) and implements the provisions related to the distribution of federal funds. Other functions include: reviewing and approving the local plans; monitoring and evaluating program effectiveness; monitoring and auditing the expenditure of federal funds; implementing and reevaluating the statewide system of accountability; coordinating the development of the annual performance report; assuring compliance with all applicable Federal laws; and providing technical assistance. The Office serves as the liaison to occupational programs and related services in the community and technical colleges, the universities, and the Department of Education. Programs of leadership and professional development are coordinated and monitored for program effectiveness. An automated student information system, with selected characteristics for technical programs, is used in evaluating the effective preparation of students for continued education, employment, and service in the military. This automated system is a major factor in the accountability requirements of the Act. In addition, the operation and refinement of the Methods of Administration are components of the ongoing program evaluation.

The Perkins Act includes two major components: the Basic Grant and Tech Prep. The Basic Grant funds are for program improvement. Tech Prep funds are earmarked for the development of programs that combine at least two years of secondary education with at least two years of postsecondary education in a technical course of study leading to employment or further education. Tech Prep uses work-based and worksite learning where appropriate and available. The Department for Technical Education provides statewide direction, leadership, and supervision for this initiative.

Policy

In fiscal year 2006 an additional \$3,800,000 from the General Fund is provided for the creation of the Career and Technical Education Accessibility Fund. The Fund will provide start-up grants for personnel and operating costs to eligible providers for the creation of new, secondary career and technical education programs within the 176 local school districts. The funds shall not be used for capital construction.

The additional \$1,500,000 from the General Fund in fiscal year 2006 appropriated in House Bill 267 to support the facility upgrade of the Butler County Area Vocational Center was vetoed by Governor Fletcher and sustained by the General Assembly, as House Bill 350 provided sufficient funds for this project.; therefore, \$1,500,000 of the General Fund appropriation will lapse as a result.

The General Fund amounts attributable to the employer contribution to the Kentucky Teachers' Retirement System for eligible employees in this department have been allocated within the Technical Education budget. These funds were separately appropriated in the past.

**Education Cabinet
Vocational Rehabilitation**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	12,040,000	12,452,000	12,294,300	12,672,300
Total General Fund	12,040,000	12,452,000	12,294,300	12,672,300
Restricted Funds				
Balance Forward	116,100	50,600	190,000	28,200
Current Receipts	2,865,000	2,865,000	2,865,000	2,865,000
Fund Transfers			-73,900	
Total Restricted Funds	2,981,100	2,915,600	2,981,100	2,893,200
Federal Funds				
Current Receipts	45,513,000	47,194,000	45,513,000	47,194,000
Total Federal Funds	45,513,000	47,194,000	45,513,000	47,194,000
TOTAL SOURCE OF FUNDS	60,534,100	62,561,600	60,788,400	62,759,500
EXPENDITURES BY CLASS				
Personnel Cost	26,051,700	27,757,900	25,522,400	25,582,800
Operating Expenses	5,065,000	5,066,500	4,953,900	4,955,400
Grants, Loans or Benefits	29,322,800	29,693,200	30,249,900	32,123,300
Debt Service				64,000
Capital Outlay	44,000	44,000	34,000	34,000
TOTAL EXPENDITURES	60,483,500	62,561,600	60,760,200	62,759,500
EXPENDITURES BY FUND SOURCE				
General Fund	12,040,000	12,452,000	12,294,300	12,672,300
Restricted Funds	2,930,500	2,915,600	2,952,900	2,893,200
Federal Funds	45,513,000	47,194,000	45,513,000	47,194,000
TOTAL EXPENDITURES	60,483,500	62,561,600	60,760,200	62,759,500
EXPENDITURES BY UNIT				
Program Planning and Development	2,209,300	2,279,300	2,209,300	2,279,300
Carl D. Perkins Comprehensive Rehab Center	8,404,400	8,831,300	8,225,700	8,700,800
Program Services	47,710,500	49,181,300	48,304,300	49,762,000
Administrative Management	2,159,300	2,269,700	2,020,900	2,017,400
TOTAL EXPENDITURES	60,483,500	62,561,600	60,760,200	62,759,500

The Department of Vocational Rehabilitation provides for and improves the vocational rehabilitation of citizens with physical and mental disabilities. The Department helps eligible persons with disabilities achieve suitable employment.

The Department uses vocational assessments, counseling and guidance services to match workers with disabilities to labor market needs. Job preparation activities include on-the-job training and vocational and classroom instruction. Job development and placement services assist the individual in obtaining and maintaining suitable employment. Transition activities support a move from the classroom to the workplace. Rehabilitation technology adapts the physical environment at work or home to meet employment needs. Follow-up services ensure that employment is progressing satisfactorily.

The Department also provides services for employers. The Department prepares job-qualified applicants, conducts job analyses, recommends job modifications, and conducts disability awareness programs. Other services include disability awareness training programs and affirmative action planning and services to employees with disability related problems. As a result, employers experience risk reduction, save resources spent on training new hires, and increase cash flow through access to tax incentives.

The Rehabilitation Act of 1973 authorizes and provides federal funding for state vocational rehabilitation programs. KRS 151B.180-210 complies with all provisions of the Acts. The Code of Federal Regulations (CFR Chapter 34) and Title 781 of the Kentucky Administrative Regulations establish functions of the program. The Department also complies with relevant sections of the Kentucky Department of Education's administrative regulations.

Program Planning and Development provides administrative and staff functions to enhance equitable, efficient service delivery to eligible individuals with disabilities. The Division has statewide responsibility for program planning, program evaluation, policy development, human resource development, job development and placement, and development of new and innovative programs. The Division also provides staff support to the Statewide Advisory Council for Vocational Rehabilitation and the Statewide Independent Living Council. Federal regulations require an approved State Plan for Vocational Rehabilitation Services under Title I of the Rehabilitation Act as a condition for receiving federal funds. State plans, administrative regulations and policy development are housed in Planning and Development. Strategic, long-range planning addresses the economic and public policy needs of the identified 346,000 Kentuckians of working age with disabilities who are unemployed, as well as the more than 60,000 children with severe disabilities who will soon enter the vocational rehabilitation service delivery system.

The Carl D. Perkins Comprehensive Rehabilitation Center (CDPCRC) at Thelma, Kentucky, is a multi-disciplinary residential rehabilitation facility located in Johnson County. The proportion of disabilities in the population of Kentucky is highest in southeast Kentucky. Although the majority of referrals to the CDPCRC come from the eastern part of Kentucky, staff of the Center regularly provide services to consumers from the entire Commonwealth.

The CDPCRC operates five major programs: Vocational Evaluation; Work Adjustment; Vocational Training; Physical Restoration/Outpatient Medical Rehabilitation; and Brain Injury Community Re-entry. All programs meet state of the art standards for program quality as documented by the Commission on Accreditation of Rehabilitation Facilities (CARF). The CARF is the nationally recognized accreditation authority for organizations serving consumers with disabilities. The CARF standards require that accredited facilities provide consumers with timely, quality services that meet the needs of each individual. Center staff utilize CARF accreditation as a marketing tool to obtain new referrals for all programs. The Center's Outpatient Program is CORF (Comprehensive Outpatient Rehabilitation Facility) licensed.

Within these five programs the following professional services are available: comprehensive vocational assessment; vocational training; physical therapy; occupational therapy; speech therapy; nursing services; physician services; adjustment services; psychological and psychiatric services; adult therapeutic recreation; vocational rehabilitation counseling; social services; assistive technology; transportation; and administrative services. A wide range of educational programs and services including developmental math, reading, and GED test preparation and the External Diploma Program are also available. The CDPCRC offers individualized placement services through PACE (Preparing Adults for Competitive Employment) and an Employment Relations Specialist.

The Program Services unit provides direct vocational rehabilitation services to eligible individuals who have physical or mental disabilities to enable them to achieve suitable employment. Program Services is responsible for the actual intake and client service delivery efforts of the Department and performs certain administration functions.

The Division implements the federal Rehabilitation Act of 1973 and must make available services appropriate to the needs of individuals with disabilities. The services enumerated in the Rehabilitation Act include: evaluation of vocational rehabilitation potential; counseling and guidance; physical and mental restoration services; vocational and other training services; maintenance; transportation; services to family members; interpreter services and note-taking services for persons who are deaf; reader services and note-taking services for persons who are blind; assistive technology and devices; personal assistance services; recruitment and training services; placement; post-employment services; occupational licenses, equipment, initial stock, and supplies; and other goods and services needed for employment.

The Administrative Management Division provides all administrative, technical, and budget related services for the Department and is responsive to the needs of the direct service delivery program staff. Responsibilities include budgeting, purchasing, financial reporting, and federal grant accounting. The Division oversees the implementation and administration of the automated case management system and coordinates the development of application programs. Staff in the Division are also responsible for records retention and maintenance of the Department's inventory records.

The Division coordinates the recouping of program income through the Social Security Administration (SSA). This is coordinated with the SSA for reimbursement of paid vocational rehabilitation services for individuals receiving SSI/disability benefits. The Division negotiates on behalf of the Department and certain Community Rehabilitation Programs for the purchase of facility and community-based competitive employment outcomes and vocational evaluations. The staff then monitors the success of purchased services.

Policy

Debt service in the amount of \$64,000 from the General Fund is provided for a bond financed roof replacement capital

project at the Carl D. Perkins Comprehensive Rehabilitation Center. The \$64,000 represents a half-year's debt service amount.

The General Fund amounts attributable to the employer contribution for the Kentucky Teachers' Retirement System for eligible employees in this department have been allocated within the Vocational Rehabilitation budget. These funds were separately appropriated in the past.

**Education Cabinet
Office for the Blind**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,627,900	1,680,300	1,290,300	1,306,300
Total General Fund	1,627,900	1,680,300	1,290,300	1,306,300
Restricted Funds				
Balance Forward	508,600	269,400	508,600	294,100
Current Receipts	1,632,700	1,632,700	1,632,700	1,632,700
Total Restricted Funds	2,141,300	1,902,100	2,141,300	1,926,800
Federal Funds				
Current Receipts	8,210,400	8,638,400	8,210,400	8,638,400
Total Federal Funds	8,210,400	8,638,400	8,210,400	8,638,400
TOTAL SOURCE OF FUNDS	11,979,600	12,220,800	11,642,000	11,871,500
EXPENDITURES BY CLASS				
Personnel Cost	7,062,800	7,606,300	6,185,500	6,187,900
Operating Expenses	1,621,300	1,619,200	1,621,300	1,619,200
Grants, Loans or Benefits	2,995,500	2,953,100	3,510,500	3,940,900
Capital Outlay	30,600	30,600	30,600	30,600
TOTAL EXPENDITURES	11,710,200	12,209,200	11,347,900	11,778,600
EXPENDITURES BY FUND SOURCE				
General Fund	1,627,900	1,680,300	1,290,300	1,306,300
Restricted Funds	1,871,900	1,890,500	1,847,200	1,833,900
Federal Funds	8,210,400	8,638,400	8,210,400	8,638,400
TOTAL EXPENDITURES	11,710,200	12,209,200	11,347,900	11,778,600
EXPENDITURES BY UNIT				
General Blind Services	9,483,300	9,912,500	9,157,500	9,566,100
Business Enterprise Program	1,078,400	1,108,200	1,053,700	1,051,600
Center for Independent Living	751,400	788,600	739,600	761,000
Assistive Technology Service	397,100	399,900	397,100	399,900
TOTAL EXPENDITURES	11,710,200	12,209,200	11,347,900	11,778,600

Pursuant to KRS 163.470, the Department for the Blind provides services to assist individuals with severe visual disabilities in preparing for and obtaining employment. The Department provides services to approximately 1,500 individuals with severe visual impairments so that they can receive the education and specialized training services needed to become independent and self-sufficient in the workplace.

Since its creation 20 years ago, the Department has provided for the vocational rehabilitation of blind and visually impaired Kentuckians. Departmental staff perform vocational counseling, evaluation, physical and mental restoration, vocational and higher education training, assistive technology training, adaptive devices, orientation and mobility training, and job placement services. The Department accomplishes this mission through the following avenues:

- The Department has 11 field offices that provide direct vocational rehabilitation services to individuals with severe visual impairments.
- The Charles McDowell Comprehensive Rehabilitation Center for the Blind is a comprehensive rehabilitation facility in Louisville that provides training in vocational preparation, personal adjustment services, independent living skills, orientation and mobility skills, Braille, assistive technology, career assessment, vocational planning, work adjustment, and work experience.

- In Lexington and Paducah, the Department operates two volunteer recording units that provide audio-recorded materials statewide for blind and visually impaired individuals.
- The Business Enterprise Program trains blind individuals for self-employment at vending facilities located statewide.
- The Independent Living Program provides training to blind and visually impaired individuals in areas that will enable them to live and function independently.

Pursuant to KRS 163.470(12) and the federal Randolph-Sheppard Act, the Division of Business Enterprises Program (BEP) establishes vending facilities on state, federal, and other property to provide remunerative employment for licensed visually impaired merchants. This program provides management services and training to visually impaired individuals, identifies and develops new sites suitable for vending facilities, and repairs and replaces equipment in existing vending facilities.

The Department for the Blind receives a commission based upon the percentage of gross sales from vending operations located in all interstate highway rest areas. The visually impaired merchants contribute five percent of their net income to the Department. The funds received from the interstate vending contract are utilized exclusively in the Business Enterprise Program.

Pursuant to KRS 163.470 and Title VII of the Rehabilitation Act, independent living specialists provide short-term, individualized instruction for individuals who are blind so they may be able to function independently. Services include information, counseling, and skills training in activities of daily living. Mobility training, assistive devices, referrals to community resources in housing and transportation, and information on services offered by other agencies are provided. The service population consists mainly of individuals who are elderly or unable to work due to the severity of disabilities. The population of the Independent Living program makes up two-thirds of the blind population in the State.

The Department employs independent living specialists who are located throughout the state. The average caseload for an independent living specialist is currently 150 new cases annually. These specialists make home visits and provide specially-adapted aids and appliances such as Braille and talking watches, controls on stoves, writing guides, phone dials, and canes. They provide limited instruction in household tasks such as cooking, keeping time, and learning in the home. The specialists also work with families to educate them about blindness and how to promote independent living.

The Kentucky Assistive Technology Service (KATS) Network is a federally funded project operating within the Department for the Blind. KATS is a statewide collaborative system of consumer-oriented organizations that help to provide assistive technologies.

**Education Cabinet
Employment and Training**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,964,900	2,015,000		
Total General Fund	1,964,900	2,015,000		
Restricted Funds				
Balance Forward	700	700	700	
Current Receipts	5,369,300	5,393,900	3,369,300	3,393,900
Non-Revenue Receipts			1,500,000	
Total Restricted Funds	5,370,000	5,394,600	4,870,000	3,393,900
Federal Funds				
Current Receipts	121,992,900	124,844,700	118,438,600	119,338,200
Non-Revenue Receipts	679,099,000	679,099,000	679,099,000	679,099,000
Total Federal Funds	801,091,900	803,943,700	797,537,600	798,437,200
TOTAL SOURCE OF FUNDS	808,426,800	811,353,300	802,407,600	801,831,100
EXPENDITURES BY CLASS				
Personnel Cost	50,244,400	53,341,800	46,437,700	45,446,100
Operating Expenses	13,960,100	13,791,300	11,338,200	11,403,800
Grants, Loans or Benefits	744,221,600	744,219,500	744,600,300	744,949,800
Capital Outlay			31,400	31,400
TOTAL EXPENDITURES	808,426,100	811,352,600	802,407,600	801,831,100
EXPENDITURES BY FUND SOURCE				
General Fund	1,964,900	2,015,000		
Restricted Funds	5,369,300	5,393,900	4,870,000	3,393,900
Federal Funds	801,091,900	803,943,700	797,537,600	798,437,200
TOTAL EXPENDITURES	808,426,100	811,352,600	802,407,600	801,831,100
EXPENDITURES BY UNIT				
Employer and Placement Services	24,299,300	24,839,900	22,334,400	22,824,900
Unemployment Insurance	713,687,200	715,717,300	710,132,900	710,210,800
Special Programs	4,207,800	4,450,200	4,207,800	4,450,200
Service Capacity Upgrade	2,000,000	2,000,000	1,500,000	
Training and Reemployment	64,231,800	64,345,200	64,232,500	64,345,200
TOTAL EXPENDITURES	808,426,100	811,352,600	802,407,600	801,831,100

The Department for Employment Services (DES) administers federally-funded programs that provide employment related services to the citizens of Kentucky. The DES provides a wide array of high quality, professional services to employers and job seekers which result in economic stability for the individual and further the economic well-being of the Commonwealth. These services include employment counseling, testing, assessment, job search assistance, and placement services to all citizens, as well as training programs for dislocated workers and other individuals who are economically disadvantaged.

The majority of the programs in the Department are funded by federal grants, with the principle revenue source derived from the Unemployment Insurance (UI) program. The federal government, through the employer-paid Federal Unemployment Tax (FUTA), provides the Department's operating and capital funding for the two programs.

The Department also receives funds to administer several smaller programs that are related to UI and ES, including: Veterans' Employment and Training Services, Labor Market Information, Alien Labor Certification, Agricultural Wage Surveys,

Alien Farmworker Housing Inspections, and Temporary Assistance for Needy Families (TANF). The DES administers training programs under the Trade Adjustment Assistance program, Title I of the Workforce Investment Act, and the North American Free Trade Agreement-Transitional Adjustment Assistance/Transitional Readjustment Allowances programs. These programs are designed to provide temporary income maintenance through UI to individuals who are unemployed through no fault of their own, and to assist the unemployed, underemployed, and persons who wish to change occupations in finding suitable employment. Additional benefits include the reduction of public burden through the early placement of welfare recipients and UI claimants.

The Department is also responsible for assessing and collecting taxes from employers to distribute benefits to those who qualify for unemployment compensation.

Policy

Notwithstanding KRS 341.835, the Department may use up to \$2,700,000 each year from the Unemployment Insurance Penalty and Interest Account during the 2004-2006 biennium for the operation of Employment Services programs, and for Unemployment Insurance administration purposes.

**Education Cabinet
Employment and Training
Employer and Placement Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,964,900	2,015,000		
Total General Fund	1,964,900	2,015,000		
Restricted Funds				
Current Receipts	3,000,000	3,000,000	3,000,000	3,000,000
Total Restricted Funds	3,000,000	3,000,000	3,000,000	3,000,000
Federal Funds				
Current Receipts	19,334,400	19,824,900	19,334,400	19,824,900
Total Federal Funds	19,334,400	19,824,900	19,334,400	19,824,900
TOTAL SOURCE OF FUNDS	24,299,300	24,839,900	22,334,400	22,824,900
EXPENDITURES BY CLASS				
Personnel Cost	16,860,800	17,584,900	14,710,200	14,943,000
Operating Expenses	4,038,500	3,855,000	4,046,400	4,112,000
Grants, Loans or Benefits	3,400,000	3,400,000	3,577,800	3,769,900
TOTAL EXPENDITURES	24,299,300	24,839,900	22,334,400	22,824,900
EXPENDITURES BY FUND SOURCE				
General Fund	1,964,900	2,015,000		
Restricted Funds	3,000,000	3,000,000	3,000,000	3,000,000
Federal Funds	19,334,400	19,824,900	19,334,400	19,824,900
TOTAL EXPENDITURES	24,299,300	24,839,900	22,334,400	22,824,900
EXPENDITURES BY UNIT				
Job Placement Services	16,017,500	16,254,900	14,052,600	14,239,900
Special Employment Services	6,539,300	6,711,200	6,539,300	6,711,200
Employment Information Support	1,742,500	1,873,800	1,742,500	1,873,800
TOTAL EXPENDITURES	24,299,300	24,839,900	22,334,400	22,824,900

There are two objectives of the Employer and Placement Services program. The first is to assist individuals who are unemployed, underemployed, or simply seeking to change their employment situation. The second is to assist employers in obtaining qualified workers to fill job openings as quickly as possible. This program provides counseling, employment testing, job development, referral, and placement.

Policy

Notwithstanding KRS 341.835, the Governor's Recommended budget provides that the Department for Employment Services may use funds from the Unemployment Insurance Penalty and Interest Account in the Unemployment Compensation Administration Fund during each fiscal year of the biennium for employment and training programs. Any use of Reed Act funds for employment and training programs are subject to the provisions of KRS 48.630.

**Education Cabinet
Employment and Training
Unemployment Insurance**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
Federal Funds				
Current Receipts	34,588,200	36,618,300	31,033,900	31,111,800
Non-Revenue Receipts	679,099,000	679,099,000	679,099,000	679,099,000
Total Federal Funds	713,687,200	715,717,300	710,132,900	710,210,800
TOTAL SOURCE OF FUNDS	713,687,200	715,717,300	710,132,900	710,210,800
EXPENDITURES BY CLASS				
Personnel Cost	26,144,100	28,159,500	25,194,800	25,272,700
Operating Expenses	8,437,500	8,452,200	5,807,700	5,807,700
Grants, Loans or Benefits	679,105,600	679,105,600	679,099,000	679,099,000
Capital Outlay			31,400	31,400
TOTAL EXPENDITURES	713,687,200	715,717,300	710,132,900	710,210,800
EXPENDITURES BY FUND SOURCE				
Federal Funds	713,687,200	715,717,300	710,132,900	710,210,800
TOTAL EXPENDITURES	713,687,200	715,717,300	710,132,900	710,210,800
EXPENDITURES BY UNIT				
Unemployment Insurance Administration	34,588,200	36,618,300	31,033,900	31,111,800
Unemployment Insurance Benefits	679,099,000	679,099,000	679,099,000	679,099,000
TOTAL EXPENDITURES	713,687,200	715,717,300	710,132,900	710,210,800

The purpose of the Unemployment Insurance (UI) program is to provide temporary financial assistance to workers who become unemployed through no fault of their own, in the form of regular UI benefit payments in an amount determined by the claimant's wage history. Regular UI benefits are funded entirely through payment of the state unemployment taxes by employers within the state determined liable under KRS Chapter 341 based upon the size and duration of payroll.

Within the Department, the Division of Unemployment Insurance supports the claims activities initiated in the local offices of the Division of Field Services. In the central office, the Benefit Branch ensures and accounts for the proper payment of regular Unemployment Insurance (UI) and federal program benefits, including the determination of chargeability to a specific employer for the cost of each regular UI claim. In cases where benefits have been drawn in error, the branch pursues restitution and, if fraud is involved, pursues prosecution of the claimant. The Benefits Branch also operates an interstate claims "local office" to serve claimants covered under Kentucky law but filing from other states.

In addition to regular UI benefits, the program also administers payment of federal benefits to unemployed federal employees and discharged military personnel, those affected by changes in international trade, those affected financially in federal disaster areas, and those covered under the Extended Unemployment Compensation program. With the exception of partial payment from State UI funds in the case of some extended benefits, these programs are financed by employer federal unemployment tax collected by the Internal Revenue Service.

The administrative component of the Unemployment Insurance program provides benefit payments based on earnings in a specific transaction period. Revenues for this program are derived from a federal unemployment tax on employers' payrolls.

KRS Chapter 341 provides the statutory authority and structure for the operation of the Unemployment Insurance (UI) program in Kentucky. With regard to most particulars involving worker coverage, benefit entitlement, and employer liability, KRS Chapter 341 conforms to federal unemployment law derived from the Social Security Act of 1935. This state and federal statutory conformity is required in order for Kentucky employers to receive a credit against federal unemployment tax based on state tax payments, and in order for the agency to receive federal administrative funding.

Policy

Notwithstanding KRS 341.835, the Governor's Recommended budget provides that the Department for Employment Services may use funds from the Unemployment Insurance Penalty and Interest Account in the Unemployment Compensation Administration Fund during each fiscal year of the biennium for Unemployment administration purposes. Any use of Reed Act funds for unemployment insurance administration purposes is subject to the provisions of KRS 48.630.

**Education Cabinet
Employment and Training
Special Programs**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
Restricted Funds				
Current Receipts	369,300	393,900	369,300	393,900
Total Restricted Funds	369,300	393,900	369,300	393,900
Federal Funds				
Current Receipts	3,838,500	4,056,300	3,838,500	4,056,300
Total Federal Funds	3,838,500	4,056,300	3,838,500	4,056,300
TOTAL SOURCE OF FUNDS	4,207,800	4,450,200	4,207,800	4,450,200
EXPENDITURES BY CLASS				
Personnel Cost	3,361,800	3,604,200	3,361,800	3,557,400
Operating Expenses	596,000	596,000	596,000	596,000
Grants, Loans or Benefits	250,000	250,000	250,000	296,800
TOTAL EXPENDITURES	4,207,800	4,450,200	4,207,800	4,450,200
EXPENDITURES BY FUND SOURCE				
Restricted Funds	369,300	393,900	369,300	393,900
Federal Funds	3,838,500	4,056,300	3,838,500	4,056,300
TOTAL EXPENDITURES	4,207,800	4,450,200	4,207,800	4,450,200

The Special Projects Program covers three contractual programs which are offered by the Department for Employment Services.

Under Title I of the Workforce Investment Act (WIA), dislocated worker services are funded through 11 workforce investment areas across the state. In two of the areas, the administrative entity has contracted with the Department to provide a full range of applicant services to dislocated workers.

The Department for Employment Services receives funding from the U.S. Department of Labor under a National Reserve Grant to provide services to dislocated workers from the garment industry. The grant was written to serve affected garment workers whose jobs were impacted by foreign trade. Under this grant, the Department provides assessment, counseling, testing, brokers for retraining, and assists in job placement to eligible dislocated workers.

The Department contracts with the Health and Family Services Cabinet to implement a strategy and program to help adult Kentuckians make the transition from welfare dependency to long term self-sufficiency.

The Department performs an employment assessment on each participant referred by CFC, Department for Community-Based Services, to determine needs and skills. An "Employability Development Plan" is created for each participant that includes an employment goal and a series of activities necessary to reach that goal, including high school and equivalency programs, basic and remedial education, work readiness activities, and job skills training.

**Education Cabinet
Employment and Training
Service Capacity Upgrade**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
Restricted Funds				
Current Receipts	2,000,000	2,000,000		
Non-Revenue Receipts			1,500,000	
Total Restricted Funds	2,000,000	2,000,000	1,500,000	
TOTAL SOURCE OF FUNDS	2,000,000	2,000,000	1,500,000	
EXPENDITURES BY CLASS				
Personnel Cost	2,000,000	2,000,000	1,500,000	
TOTAL EXPENDITURES	2,000,000	2,000,000	1,500,000	
EXPENDITURES BY FUND SOURCE				
Restricted Funds	2,000,000	2,000,000	1,500,000	
TOTAL EXPENDITURES	2,000,000	2,000,000	1,500,000	

Senate Bill 296 was passed by the Kentucky General Assembly in 1998. The bill cut employer-paid Unemployment Insurance (UI) taxes, increased UI benefit payments for unemployed workers, and provided \$10 million per year over a three-year period to improve the Department for Employment Services' ability to deliver services to Kentucky employers and job seekers. This latter provision is referred to as the Service Capacity Upgrade Fund (SCUF).

While the bulk of SCUF monies are to be invested in automating unemployment insurance tax collection, benefits claims, work registration, and other processes, funding was also allotted to provide immediate and direct services to job seekers and employers. Specifically, funding was allotted to provide customized recruitment services for employers (Account Management), testing of job seekers to provide the most qualified workers to meet employer needs, and intensive job placement efforts on behalf of UI recipients (Case Management). These services were implemented in April 1999.

**Education Cabinet
Employment and Training
Training and Reemployment**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	700	700	700	
Total Restricted Funds	700	700	700	
Federal Funds				
Current Receipts	64,231,800	64,345,200	64,231,800	64,345,200
Total Federal Funds	64,231,800	64,345,200	64,231,800	64,345,200
TOTAL SOURCE OF FUNDS	64,232,500	64,345,900	64,232,500	64,345,200
EXPENDITURES BY CLASS				
Personnel Cost	1,877,700	1,993,200	1,670,900	1,673,000
Operating Expenses	888,100	888,100	888,100	888,100
Grants, Loans or Benefits	61,466,000	61,463,900	61,673,500	61,784,100
TOTAL EXPENDITURES	64,231,800	64,345,200	64,232,500	64,345,200
EXPENDITURES BY FUND SOURCE				
Restricted Funds			700	
Federal Funds	64,231,800	64,345,200	64,231,800	64,345,200
TOTAL EXPENDITURES	64,231,800	64,345,200	64,232,500	64,345,200

The Training and Reemployment program is responsible for the administration and implementation of the Workforce Investment Act of 1998. These responsibilities include:

- Conducting the day-to-day program operation of the Workforce Investment Act (WIA) and providing technical assistance to the local workforce development areas that administer WIA. The Financial and Program Operations Branch performs this duty and ensures compliance with the overall financial management functions required by WIA.
- Conducting oversight and monitoring of Title I of WIA and related activities. This includes annual on-site monitoring reviews of local areas' compliance with uniform administrative standards, the Act, and regulations. The Program Compliance and Support Branch performs these duties along with local board certification, development and issuance of eligibility policies, development and maintenance of a statewide training provider list, implementation of a mandated and optional performance management system, and the development of a Management Information System (MIS).

The Workforce Investment Act specifies three funding streams to the states and local areas: adults, dislocated workers, and youth.

- Of the total adult funds received by the state, 85 percent of the funds are allocated to Kentucky's ten Workforce Investment Areas, ten percent of the funds are reserved for statewide programs, and five percent is retained for state administrative functions.
- Of the total dislocated worker funds received by the state, 60 percent of the funds are allocated to Kentucky's ten Workforce Investment Areas, 25 percent of the funds are reserved for State Rapid Response activities, ten percent of the funds are reserved for statewide programs, and five percent is retained for state administrative functions.
- Of the youth funds received by the state, 85 percent of the funds are allocated to Kentucky's ten Workforce Investment Areas, ten percent of the funds are reserved for statewide programs, and five percent is retained for state administrative functions.

Environmental and Public Protection Cabinet

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	141,674,900	149,678,100	87,608,500	89,818,900
Continuing Appropriation	2,326,300	2,276,300	1,807,300	
Total General Fund	144,001,200	151,954,400	89,415,800	89,818,900
Tobacco Settlement-Phase I				
Tobacco Settlement - I	26,555,100	26,725,000	25,782,600	25,751,700
Total Tobacco Settlement-Phase I	26,555,100	26,725,000	25,782,600	25,751,700
Restricted Funds				
Balance Forward	90,573,000	94,610,700	85,024,900	88,484,200
Current Receipts	222,130,300	219,042,700	220,303,400	218,199,800
Non-Revenue Receipts	216,515,600	228,341,700	230,271,400	256,081,300
Fund Transfers	-297,200		-9,538,800	-77,523,800
Total Restricted Funds	528,921,700	541,995,100	526,060,900	485,241,500
Federal Funds				
Balance Forward	326,100	321,300	326,100	321,300
Current Receipts	78,291,100	79,236,200	81,093,900	75,879,800
Non-Revenue Receipts	-5,044,900	-5,245,300	-4,828,100	-4,964,500
Total Federal Funds	73,572,300	74,312,200	76,591,900	71,236,600
TOTAL SOURCE OF FUNDS	773,050,300	794,986,700	717,851,200	672,048,700
EXPENDITURES BY CLASS				
Personnel Cost	234,329,900	251,250,800	219,126,200	220,976,300
Operating Expenses	235,227,600	235,553,300	211,307,900	203,618,300
Grants, Loans or Benefits	166,362,700	161,586,200	162,769,200	157,613,400
Debt Service	589,000	589,000	589,000	2,357,000
Capital Outlay	12,262,200	7,283,100	7,182,600	5,100,000
Construction	27,370,600	32,553,300	26,263,500	31,183,600
TOTAL EXPENDITURES	676,142,000	688,815,700	627,238,400	620,848,600
EXPENDITURES BY FUND SOURCE				
General Fund	141,724,900	149,728,100	87,608,500	89,818,900
Tobacco Settlement-Phase I	26,555,100	26,725,000	25,782,600	25,751,700
Restricted Funds	434,608,200	438,360,100	437,576,700	434,362,700
Federal Funds	73,251,000	73,990,900	76,270,600	70,915,300
TOTAL EXPENDITURES	676,139,200	688,804,100	627,238,400	620,848,600
EXPENDITURES BY UNIT				
General Administration and Program Support	19,281,800	20,448,600	17,555,800	16,855,900
Environmental Protection	134,813,500	140,522,100	116,098,600	120,901,400
Natural Resources	118,080,500	118,725,800	110,421,500	106,527,500
Environmental Quality Commission	274,400	310,400	250,900	258,500
Kentucky Nature Preserves Commission	2,325,800	2,317,300	1,424,400	1,452,900
Public Protection	123,889,400	130,238,800	110,163,700	108,127,500
Labor	117,183,300	115,796,600	132,757,400	130,517,500
Occupational Safety and Health Review Commission	637,100	613,100	479,300	447,500
Workers' Compensation Board			900,000	922,200
Workers' Compensation Funding Commission	159,386,000	159,556,900	136,955,800	134,607,200
Mine Safety Review Commission	267,400	274,500	231,000	230,500
TOTAL EXPENDITURES	676,139,200	688,804,100	627,238,400	620,848,600

Senate Bill 41, as enacted by the 2005 Regular Session of the General Assembly, created the Environmental and Public Protection Cabinet, combining several departments and offices from the former Natural Resources and Environmental Protection Cabinet, Public Protection Cabinet, and Labor Cabinet.

The Environmental and Public Protection Cabinet is charged with the protection and preservation of land, air and water resources, supervision and regulation of industries providing services to the citizens of the Commonwealth and the administration of rules for the state concerning employer-employee relationships.

A Secretary appointed by the Governor heads the Cabinet. The Secretary is responsible for environmental leadership, monitoring environmental trends and shaping a vision for Kentucky's environmental future. The Secretary enforces statutes and regulations ensuring the integrity of supervised industries and the safety of employees through oversight activities relating to wages and hours, occupational safety and employee health, child labor, apprenticeship, and workers' compensation.

By Executive Order 2003-064 the Mine Safety Review Commission is part of the Environmental and Public Protection Cabinet under supervision of the Secretary. KRS 351.1041 establishes the Mine Safety Review Commission to enforce sanctions against licensed premises and certified and non-certified personnel whose willful and repeated violations of mine safety laws place miners in imminent danger of serious injury or death. The Commission is charged with conducting hearings and issuing orders regarding licensees, coal operators, and other persons involved in the mining of coal in accordance with KRS 351.194.

Policy

Notwithstanding KRS 224.60-130 to 224.60-145, 287.485, and 304.2-400, the Secretary of the Environmental and Public Protection Cabinet may request authorization to expend restricted funds for specified purposes, subject to the provisions of KRS 48.630, in an amount not to exceed ten percent of the Cabinet's restricted funds appropriation for fiscal year 2004-2005 and fiscal year 2005-2006.

**Environmental and Public Protection Cabinet
General Administration and Program Support**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	11,320,800	12,175,100	10,216,500	10,174,500
Total General Fund	11,320,800	12,175,100	10,216,500	10,174,500
Restricted Funds				
Balance Forward	309,800	158,700	400,100	350,000
Current Receipts	56,400	57,400	56,400	57,400
Non-Revenue Receipts	6,064,900	6,265,500	5,525,700	4,668,300
Total Restricted Funds	6,431,100	6,481,600	5,982,200	5,075,700
Federal Funds				
Current Receipts	1,773,800	1,877,200	1,645,700	1,666,800
Non-Revenue Receipts	-85,200	-85,300	61,400	61,300
Total Federal Funds	1,688,600	1,791,900	1,707,100	1,728,100
TOTAL SOURCE OF FUNDS	19,440,500	20,448,600	17,905,800	16,978,300
EXPENDITURES BY CLASS				
Personnel Cost	16,051,900	17,326,400	14,443,300	13,946,000
Operating Expenses	2,974,000	2,971,100	2,890,900	2,793,200
Capital Outlay	255,900	151,100	221,600	116,700
TOTAL EXPENDITURES	19,281,800	20,448,600	17,555,800	16,855,900
EXPENDITURES BY FUND SOURCE				
General Fund	11,320,800	12,175,100	10,216,500	10,174,500
Restricted Funds	6,272,400	6,481,600	5,632,200	4,953,300
Federal Funds	1,688,600	1,791,900	1,707,100	1,728,100
TOTAL EXPENDITURES	19,281,800	20,448,600	17,555,800	16,855,900

The General Administration and Program Support appropriation unit is responsible for providing the executive direction, leadership, and administrative support necessary to accomplish the goals and missions of the Environmental and Public Protection Cabinet.

Policy

Senate Bill 41, as enacted by the 2005 Regular Session of the General Assembly, established within this appropriation unit the Office of the Secretary, and Office of Communications and Public Outreach, an Office of Administrative Hearings, an Office of Regulatory Affairs, an Office of Legislative and Intergovernmental Affairs, an Office of Inspector General, an Office of Legal Services, and an Office of Administrative and Information Services. Funding for the Office of Communications and Public Outreach and the Office of Legislative and Intergovernmental Affairs is provided within the Office of the Secretary's budget.

In each fiscal year of the 2004-2006 biennium, restricted funds in the amount of \$500,000 shall be transferred to the General Fund.

**Environmental and Public Protection Cabinet
Environmental Protection**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	34,354,000	37,278,700	23,793,500	25,361,500
Total General Fund	34,354,000	37,278,700	23,793,500	25,361,500
Restricted Funds				
Balance Forward	11,301,100	16,359,800	12,716,400	24,358,300
Current Receipts	12,852,400	14,083,300	12,467,900	14,466,100
Non-Revenue Receipts	75,733,300	81,358,700	76,062,500	106,386,800
Fund Transfers	-297,200		-648,600	-63,471,400
Total Restricted Funds	99,589,600	111,801,800	100,598,200	81,739,800
Federal Funds				
Current Receipts	18,913,000	18,386,400	18,015,500	17,538,600
Non-Revenue Receipts	-1,980,500	-1,965,900	-1,950,300	-1,935,700
Total Federal Funds	16,932,500	16,420,500	16,065,200	15,602,900
TOTAL SOURCE OF FUNDS	150,876,100	165,501,000	140,456,900	122,704,200
EXPENDITURES BY CLASS				
Personnel Cost	54,627,100	58,836,100	48,623,600	49,554,900
Operating Expenses	42,401,400	42,433,600	32,736,200	33,023,300
Grants, Loans or Benefits	18,845,900	16,157,300	18,995,900	16,157,300
Debt Service				1,768,000
Capital Outlay	4,339,100	3,495,100	2,425,000	2,167,600
Construction	14,600,000	19,600,000	13,317,900	18,230,300
TOTAL EXPENDITURES	134,813,500	140,522,100	116,098,600	120,901,400
EXPENDITURES BY FUND SOURCE				
General Fund	34,354,000	37,278,700	23,793,500	25,361,500
Restricted Funds	83,527,000	86,822,900	76,239,900	79,937,000
Federal Funds	16,932,500	16,420,500	16,065,200	15,602,900
TOTAL EXPENDITURES	134,813,500	140,522,100	116,098,600	120,901,400
EXPENDITURES BY UNIT				
Environmental Protection Management	97,731,200	103,130,400	87,685,600	90,113,000
Petroleum Storage Tank Environmental Assur. Fund	37,082,300	37,391,700	28,413,000	30,788,400
TOTAL EXPENDITURES	134,813,500	140,522,100	116,098,600	120,901,400

The 2005 Session of the General Assembly enacted Senate Bill 41, a reorganization bill which placed Petroleum Storage Tank Environmental Assurance Fund (PSTEAF) under the management of the Department for Environmental Protection, Division of Waste Management. The PSTEAF is included in the above appropriation.

Environmental and Public Protection Cabinet
Environmental Protection
Environmental Protection Management

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	34,354,000	37,278,700	23,793,500	23,642,500
Total General Fund	34,354,000	37,278,700	23,793,500	23,642,500
Restricted Funds				
Balance Forward	11,250,300	6,891,500	10,095,700	3,746,800
Current Receipts	12,333,400	12,458,800	12,002,900	14,466,100
Non-Revenue Receipts	29,752,500	34,740,400	29,826,500	34,457,500
Fund Transfers			-351,400	
Total Restricted Funds	53,336,200	54,090,700	51,573,700	52,670,400
Federal Funds				
Current Receipts	18,913,000	18,386,400	18,015,500	17,538,600
Non-Revenue Receipts	-1,980,500	-1,965,900	-1,950,300	-1,935,700
Total Federal Funds	16,932,500	16,420,500	16,065,200	15,602,900
TOTAL SOURCE OF FUNDS	104,622,700	107,789,900	91,432,400	91,915,800
EXPENDITURES BY CLASS				
Personnel Cost	50,814,200	54,686,000	45,094,200	45,985,500
Operating Expenses	9,662,000	9,692,000	8,352,600	8,023,300
Grants, Loans or Benefits	18,845,900	16,157,300	18,995,900	16,157,300
Debt Service				49,000
Capital Outlay	3,809,100	2,995,100	1,925,000	1,667,600
Construction	14,600,000	19,600,000	13,317,900	18,230,300
TOTAL EXPENDITURES	97,731,200	103,130,400	87,685,600	90,113,000
EXPENDITURES BY FUND SOURCE				
General Fund	34,354,000	37,278,700	23,793,500	23,642,500
Restricted Funds	46,444,700	49,431,200	47,826,900	50,867,600
Federal Funds	16,932,500	16,420,500	16,065,200	15,602,900
TOTAL EXPENDITURES	97,731,200	103,130,400	87,685,600	90,113,000
EXPENDITURES BY UNIT				
Commissioner	2,099,100	2,215,300	1,837,200	1,846,300
Water	25,173,000	25,755,500	21,157,400	20,756,800
Waste Management	49,722,500	53,526,000	46,488,300	49,176,700
Air Quality	14,916,800	15,605,800	13,596,700	13,586,100
Environmental Services	4,492,700	4,714,200	4,120,900	4,262,000
Maxey Flats	1,327,100	1,313,600	485,100	485,100
TOTAL EXPENDITURES	97,731,200	103,130,400	87,685,600	90,113,000

The Department for Environmental Protection is responsible for the protection of the environmental health of Kentucky's citizens through the prevention, abatement, and control of water, land, and air pollution. The Department conducts operations in eight program areas: the Office of the Commissioner, Water, Air Quality, Waste Management, Environmental Services, the Maxey Flats low-level nuclear waste disposal site, the Division of Enforcement, and the Division of Compliance Assistance.

Policy

Senate Bill 41, as enacted by the 2005 Regular Session of the General Assembly, created the Division of Enforcement and the Division of Compliance Assistance. Funding for these new Divisions is provided within the above appropriations for Water, Air Quality, and Waste Management.

**Environmental and Public Protection Cabinet
Environmental Protection
Environmental Protection Management
Commissioner**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,948,000	2,055,100	1,686,100	1,686,100
Total General Fund	<u>1,948,000</u>	<u>2,055,100</u>	<u>1,686,100</u>	<u>1,686,100</u>
Restricted Funds				
Balance Forward	113,800	113,100	35,800	13,100
Current Receipts	14,000	23,200	14,000	23,200
Non-Revenue Receipts	136,400	138,600	114,400	138,600
Total Restricted Funds	<u>264,200</u>	<u>274,900</u>	<u>164,200</u>	<u>174,900</u>
TOTAL SOURCE OF FUNDS	<u>2,212,200</u>	<u>2,330,000</u>	<u>1,850,300</u>	<u>1,861,000</u>
EXPENDITURES BY CLASS				
Personnel Cost	1,845,200	1,977,000	1,604,200	1,622,400
Operating Expenses	247,000	238,300	233,000	223,900
Capital Outlay	6,900			
TOTAL EXPENDITURES	<u>2,099,100</u>	<u>2,215,300</u>	<u>1,837,200</u>	<u>1,846,300</u>
EXPENDITURES BY FUND SOURCE				
General Fund	1,948,000	2,055,100	1,686,100	1,686,100
Restricted Funds	151,100	160,200	151,100	160,200
TOTAL EXPENDITURES	<u>2,099,100</u>	<u>2,215,300</u>	<u>1,837,200</u>	<u>1,846,300</u>

The Office of the Commissioner provides leadership, policy direction, and management for the Department for Environmental Protection.

Environmental and Public Protection Cabinet
Environmental Protection
Environmental Protection Management

Water

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	14,664,800	15,861,800	10,637,100	10,686,100
Total General Fund	14,664,800	15,861,800	10,637,100	10,686,100
Restricted Funds				
Balance Forward	518,400	267,400	1,045,700	363,600
Current Receipts	866,000	865,500	1,054,000	1,145,300
Non-Revenue Receipts	1,268,200	1,265,200	718,400	1,066,200
Fund Transfers			-57,200	
Total Restricted Funds	2,652,600	2,398,100	2,760,900	2,575,100
Federal Funds				
Current Receipts	9,137,400	8,495,400	9,137,400	8,495,400
Non-Revenue Receipts	-1,014,400	-999,800	-1,014,400	-999,800
Total Federal Funds	8,123,000	7,495,600	8,123,000	7,495,600
TOTAL SOURCE OF FUNDS	25,440,400	25,755,500	21,521,000	20,756,800
EXPENDITURES BY CLASS				
Personnel Cost	18,532,700	20,004,500	15,717,500	16,027,900
Operating Expenses	2,825,000	2,891,900	2,184,400	2,175,500
Grants, Loans or Benefits	3,105,500	2,504,400	3,255,500	2,504,400
Debt Service				49,000
Capital Outlay	709,800	354,700		
TOTAL EXPENDITURES	25,173,000	25,755,500	21,157,400	20,756,800
EXPENDITURES BY FUND SOURCE				
General Fund	14,664,800	15,861,800	10,637,100	10,686,100
Restricted Funds	2,385,200	2,398,100	2,397,300	2,575,100
Federal Funds	8,123,000	7,495,600	8,123,000	7,495,600
TOTAL EXPENDITURES	25,173,000	25,755,500	21,157,400	20,756,800

The Division of Water, operating under authority granted by both state and federal statutes, is responsible for administering programs for: ensuring a safe drinking water supply; water quality maintenance; water storage overflow prevention; water improvements construction safety; groundwater protection; wastewater treatment and sewer line construction; and water conservation, promotion, regulation, and development.

The Division includes programmatic responsibilities relating to Groundwater Protection Plans, Total Maximum Daily Load (TMDL) Plans, the Non-Point Source (NPS) 319(h) Grant program, Watershed Management, Dam Safety Inspections, Clean Water and Drinking Water State Revolving Loan programs (CWSRF/DWSRF), Kentucky Pollution Discharge Elimination System (KPDES) permitting, On-site Sewage Inspections, Confined Animal Feeding Operations (CAFOs) compliance, and Logging Operations Forestry Conservation Act (FCA) compliance.

Policy

In fiscal year 2005, restricted funds in the amount of \$57,200 shall be transferred to the credit of the General Fund.

Included in the above General Fund appropriation is \$49,000 for fiscal year 2005-2006 for debt service to support new bonds for state-owned dam repair as set forth in Part II, Capital Projects Budget, of House Bill 267 enacted by the 2005 General Assembly.

Environmental and Public Protection Cabinet
Environmental Protection
Environmental Protection Management
Waste Management

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	11,071,200	12,351,400	5,763,100	5,763,100
Total General Fund	11,071,200	12,351,400	5,763,100	5,763,100
Restricted Funds				
Balance Forward	8,305,900	5,178,400	4,947,600	2,446,100
Current Receipts	1,304,700	1,321,900	3,704,700	3,721,900
Non-Revenue Receipts	28,245,800	33,245,800	28,921,800	33,192,100
Fund Transfers			-50,000	
Total Restricted Funds	37,856,400	39,746,100	37,524,100	39,360,100
Federal Funds				
Current Receipts	6,695,100	6,695,100	6,369,000	6,534,100
Non-Revenue Receipts	-721,800	-721,800	-721,800	-721,800
Total Federal Funds	5,973,300	5,973,300	5,647,200	5,812,300
TOTAL SOURCE OF FUNDS	54,900,900	58,070,800	48,934,400	50,935,500
EXPENDITURES BY CLASS				
Personnel Cost	16,452,600	17,633,800	15,354,700	15,626,700
Operating Expenses	2,564,100	2,553,200	2,564,100	2,458,400
Grants, Loans or Benefits	14,962,500	12,861,300	14,962,500	12,861,300
Capital Outlay	1,143,300	877,700	289,100	
Construction	14,600,000	19,600,000	13,317,900	18,230,300
TOTAL EXPENDITURES	49,722,500	53,526,000	46,488,300	49,176,700
EXPENDITURES BY FUND SOURCE				
General Fund	11,071,200	12,351,400	5,763,100	5,763,100
Restricted Funds	32,678,000	35,201,300	35,078,000	37,601,300
Federal Funds	5,973,300	5,973,300	5,647,200	5,812,300
TOTAL EXPENDITURES	49,722,500	53,526,000	46,488,300	49,176,700

The Division of Waste Management, pursuant to KRS 224, operates programs that regulate the generation, transportation, storage, treatment, and disposal of all hazardous wastes in the state; ensures proper disposal of all solid waste produced in the Commonwealth; and administers the Certified Clean Counties initiative. Additional responsibilities include resources use and recycling initiatives; technical assistance to counties and solid waste management districts to facilitate compliance with 401 KAR, Chapter 49; investigation and restoration duties at abandoned hazardous waste disposal sites; and citizen education concerning waste management issues. The Division has responsibility for the Voluntary Environmental Remediation Act.

Pursuant to KRS 224.43-505, the Division also manages the Kentucky Pride Fund, which encourages proper solid waste management in Kentucky through waste reduction, recycling, proper closure of abandoned landfills, education, proper collection and disposal of solid waste, elimination of illegal open dumps, and abatement of litter.

Policy

Included in the above restricted funds appropriation is \$24,991,500 in fiscal year 2004-2005 and \$29,835,100 in fiscal year 2005-2006 for the Kentucky Pride Program.

Pursuant to KRS 224.43-505(2)(a)5, in each fiscal year of the 2004-2006 biennium, restricted funds in the amount of \$2,006,300 shall be transferred to the credit of the General Fund to support the General Fund debt service on the bonds sold as authorized by 2003 Ky. Acts Ch. 156, Part II, Capital Projects Budget, A. Government Operations, 3. Kentucky Infrastructure Authority, c. Kentucky Pride Fund projects.

The Governor's recommended budget provides restricted fund resources for the Division of Waste Management, Hazardous Waste Management program of \$2,400,000 in fiscal year 2005 and \$2,400,000 in fiscal year 2006.

The Governor's recommended budget provides restricted fund resources for the Division of Waste Management, Waste Tire Cleanup program of \$2,500,000 in fiscal year 2005 and \$2,500,000 in fiscal year 2006.

The Governor's recommended budget provides restricted fund resources for the Division of Waste Management, Underground Storage Tank program of \$425,000 in each fiscal year.

In fiscal year 2005, restricted funds in the amount of \$50,000 shall be transferred to the credit of the General Fund.

Notwithstanding KRS 224.43-320, no funds are provided in the above appropriations for the assignment of full-time inspectors to each municipal solid waste landfill operating in the Commonwealth.

**Environmental and Public Protection Cabinet
Environmental Protection
Environmental Protection Management
Environmental Services**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	3,706,000	3,914,800	3,470,900	3,470,900
Total General Fund	3,706,000	3,914,800	3,470,900	3,470,900
Restricted Funds				
Balance Forward	99,400		128,700	135,800
Current Receipts	39,000	123,600	39,000	39,000
Non-Revenue Receipts	393,400	420,900	363,200	390,700
Total Restricted Funds	531,800	544,500	530,900	565,500
Federal Funds				
Current Receipts	310,500	310,500	280,300	280,300
Non-Revenue Receipts	-55,600	-55,600	-25,400	-25,400
Total Federal Funds	254,900	254,900	254,900	254,900
TOTAL SOURCE OF FUNDS	4,492,700	4,714,200	4,256,700	4,291,300
EXPENDITURES BY CLASS				
Personnel Cost	3,064,200	3,306,600	2,839,600	2,916,300
Operating Expenses	1,332,500	1,345,600	1,281,300	1,275,700
Capital Outlay	96,000	62,000		70,000
TOTAL EXPENDITURES	4,492,700	4,714,200	4,120,900	4,262,000
EXPENDITURES BY FUND SOURCE				
General Fund	3,706,000	3,914,800	3,470,900	3,470,900
Restricted Funds	531,800	544,500	395,100	536,200
Federal Funds	254,900	254,900	254,900	254,900
TOTAL EXPENDITURES	4,492,700	4,714,200	4,120,900	4,262,000

The Division of Environmental Services provides the necessary laboratory services for characterizing, evaluating, and documenting the nature and extent of environmental pollutants in the Commonwealth. KRS 224.10-100(7) requires services to be conducted in support of the regulatory, permitting, and enforcement efforts for air, water, and waste management activities, along with the investigation of spills and other environmental emergencies. The Division also certifies chemistry laboratories that test drinking water in Kentucky.

Environmental and Public Protection Cabinet
Environmental Protection
Environmental Protection Management
Air Quality

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,636,900	1,782,000	1,751,200	1,551,200
Total General Fund	1,636,900	1,782,000	1,751,200	1,551,200
Restricted Funds				
Balance Forward	2,212,800	1,332,600	3,937,900	788,200
Current Receipts	10,109,700	10,124,600	7,191,200	9,536,700
Non-Revenue Receipts	-291,300	-330,100	-291,300	-330,100
Fund Transfers			-244,200	
Total Restricted Funds	12,031,200	11,127,100	10,593,600	9,994,800
Federal Funds				
Current Receipts	2,770,000	2,885,400	2,228,800	2,228,800
Non-Revenue Receipts	-188,700	-188,700	-188,700	-188,700
Total Federal Funds	2,581,300	2,696,700	2,040,100	2,040,100
TOTAL SOURCE OF FUNDS	16,249,400	15,605,800	14,384,900	13,586,100
EXPENDITURES BY CLASS				
Personnel Cost	10,558,300	11,375,700	9,239,900	9,453,900
Operating Expenses	1,843,400	1,813,400	2,001,500	1,801,500
Grants, Loans or Benefits	719,400	733,100	719,400	733,100
Capital Outlay	1,795,700	1,683,600	1,635,900	1,597,600
TOTAL EXPENDITURES	14,916,800	15,605,800	13,596,700	13,586,100
EXPENDITURES BY FUND SOURCE				
General Fund	1,636,900	1,782,000	1,751,200	1,551,200
Restricted Funds	10,698,600	11,127,100	9,805,400	9,994,800
Federal Funds	2,581,300	2,696,700	2,040,100	2,040,100
TOTAL EXPENDITURES	14,916,800	15,605,800	13,596,700	13,586,100

The Division of Air Quality is responsible for the identification and implementation of measures necessary to achieve and maintain ambient air quality standards as mandated by the federal Clean Air Act and KRS 224.10-100. The Division accomplishes these goals by operating a comprehensive program of air quality monitoring; planning, construction, and operation permitting; and source inspections and enforcement to ensure compliance with air pollution laws and regulations.

The 1990 Clean Air Act Amendments imposed new permitting requirements to protect air quality. Federal law requires that an emission fee be levied on facilities with significant air pollutants to fund the implementation of the new requirements. If a state does not have continued authorization, the fee will be collected by the U.S. Environmental Protection Agency to fund a federal permitting program.

Policy

In fiscal year 2005, restricted funds in the amount of \$244,200 shall be transferred to the credit of the General Fund.

Environmental and Public Protection Cabinet
Environmental Protection
Environmental Protection Management
Maxey Flats

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,327,100	1,313,600	485,100	485,100
Total General Fund	<u>1,327,100</u>	<u>1,313,600</u>	<u>485,100</u>	<u>485,100</u>
TOTAL SOURCE OF FUNDS	1,327,100	1,313,600	485,100	485,100
EXPENDITURES BY CLASS				
Personnel Cost	361,200	388,400	338,300	338,300
Operating Expenses	850,000	849,600	88,300	88,300
Grants, Loans or Benefits	58,500	58,500	58,500	58,500
Capital Outlay	57,400	17,100		
TOTAL EXPENDITURES	<u>1,327,100</u>	<u>1,313,600</u>	<u>485,100</u>	<u>485,100</u>
EXPENDITURES BY FUND SOURCE				
General Fund	1,327,100	1,313,600	485,100	485,100
TOTAL EXPENDITURES	<u>1,327,100</u>	<u>1,313,600</u>	<u>485,100</u>	<u>485,100</u>

Maxey Flats, originally operated as a low-level nuclear waste disposal site, was closed in 1977. The Commonwealth of Kentucky assumed ownership and responsibility for the toxic site in 1978, providing long-term monitoring and maintenance activities of the site. A combination of state appropriations and federal funds has been used to minimize negative health impacts on the neighboring vicinity while moving toward final site closure. The Commonwealth will continue to be responsible for operating and maintaining the site in perpetuity.

**Environmental and Public Protection Cabinet
Environmental Protection
Petroleum Storage Tank Environment Assurance Fund**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation				1,719,000
Total General Fund				1,719,000
Restricted Funds				
Balance Forward	50,800	9,468,300	2,620,700	20,611,500
Current Receipts	519,000	1,624,500	465,000	
Non-Revenue Receipts	45,980,800	46,618,300	46,236,000	71,929,300
Fund Transfers	-297,200		-297,200	-63,471,400
Total Restricted Funds	46,253,400	57,711,100	49,024,500	29,069,400
TOTAL SOURCE OF FUNDS	46,253,400	57,711,100	49,024,500	30,788,400
EXPENDITURES BY CLASS				
Personnel Cost	3,812,900	4,150,100	3,529,400	3,569,400
Operating Expenses	32,739,400	32,741,600	24,383,600	25,000,000
Debt Service				1,719,000
Capital Outlay	530,000	500,000	500,000	500,000
TOTAL EXPENDITURES	37,082,300	37,391,700	28,413,000	30,788,400
EXPENDITURES BY FUND SOURCE				
General Fund				1,719,000
Restricted Funds	37,082,300	37,391,700	28,413,000	29,069,400
TOTAL EXPENDITURES	37,082,300	37,391,700	28,413,000	30,788,400

The Petroleum Storage Tank Environmental Assurance Fund, pursuant to KRS Chapter 224, assists owners and operators of underground storage tanks to meet federal environmental mandates and provides reimbursement for eligible clean-up costs and third party damages in the event of a release into the environment. Formerly an independent office within the Public Protection Cabinet, the Fund was reorganized with the passage of Senate Bill 41 during the 2005 Regular Session of the General Assembly. It is now managed by the Department for Environmental Protection Division of Waste Management.

Policy

Notwithstanding KRS 224.60 to KRS 224.60-155, the Petroleum Storage Tank Environment Assurance Fund (PSTEAF) shall transfer \$291,200 in fiscal year 2004-2005 and \$63,471,400 in fiscal year 2005- 2006 to the General Fund.

Included within the General Fund appropriation in fiscal year 2006 is \$1,719,000 for debt service to support bond funds in the amount of \$25 million. These bond funds are included within the operating budget as Restricted Funds appropriation and will be used to make PSTEAF claim payments.

Any Restricted Funds receipts generated by PSTEAF in fiscal year 2005 in excess of the amounts appropriated above shall be allocated to the Fund's Financial Responsibility Account to help ensure that the agency meets its reserve balance requirements in fiscal year 2005-2006.

**Environmental and Public Protection Cabinet
Natural Resources**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	42,861,800	44,354,600	33,381,800	33,789,900
Total General Fund	42,861,800	44,354,600	33,381,800	33,789,900
Tobacco Settlement-Phase I				
Tobacco Settlement - I	9,000,000	9,000,000	9,000,000	9,000,000
Total Tobacco Settlement-Phase I	9,000,000	9,000,000	9,000,000	9,000,000
Restricted Funds				
Balance Forward	31,508,700	25,647,500	33,934,900	33,147,200
Current Receipts	5,428,100	5,410,700	5,357,500	5,413,200
Non-Revenue Receipts	4,551,600	4,758,800	11,850,900	4,434,000
Total Restricted Funds	41,488,400	35,817,000	51,143,300	42,994,400
Federal Funds				
Balance Forward	4,800		4,800	
Current Receipts	53,347,200	54,695,100	52,973,000	52,568,400
Non-Revenue Receipts	-2,974,200	-3,189,100	-2,934,200	-3,085,100
Total Federal Funds	50,377,800	51,506,000	50,043,600	49,483,300
TOTAL SOURCE OF FUNDS	143,728,000	140,677,600	143,568,700	135,267,600
EXPENDITURES BY CLASS				
Personnel Cost	54,017,100	57,742,700	49,663,900	51,105,300
Operating Expenses	10,544,000	10,842,100	14,598,500	10,070,000
Grants, Loans or Benefits	33,801,400	34,132,100	29,601,400	30,335,900
Capital Outlay	6,947,400	3,055,600	3,787,100	2,063,000
Construction	12,770,600	12,953,300	12,770,600	12,953,300
TOTAL EXPENDITURES	118,080,500	118,725,800	110,421,500	106,527,500
EXPENDITURES BY FUND SOURCE				
General Fund	42,861,800	44,354,600	33,381,800	33,789,900
Tobacco Settlement-Phase I	9,000,000	9,000,000	9,000,000	9,000,000
Restricted Funds	15,840,900	13,865,200	17,996,100	14,254,300
Federal Funds	50,377,800	51,506,000	50,043,600	49,483,300
TOTAL EXPENDITURES	118,080,500	118,725,800	110,421,500	106,527,500
EXPENDITURES BY UNIT				
Natural Resources Management	48,582,700	46,454,000	41,265,200	40,973,000
Mine Reclamation and Enforcement	36,093,800	38,131,100	36,590,600	33,404,100
Abandoned Mine Land Reclamation Projects	22,000,000	22,000,000	22,000,000	22,000,000
Mine Safety and Licensing	11,404,000	12,140,700	10,565,700	10,150,400
TOTAL EXPENDITURES	118,080,500	118,725,800	110,421,500	106,527,500

Senate Bill 41, as enacted by the 2005 Regular Session of the General Assembly, created the Department for Natural Resources, which includes a Division of Forestry, a Division of Conservation, an Office of Technical and Administrative Support, a Division of Mine Reclamation and Enforcement, a Division of Mine Permits, a Division of Abandoned Mine Lands,

a Division of Oil and Gas Conservation, and an Office of Mine Safety and Licensing. Established within the Office of Mine Safety and Licensing is a Division of Safety Inspection and Licensing, a Division of Explosives and Blasting, a Division of Investigation, and a Division of Safety Analysis, Training, and Certification. Each division is headed by a director and each office is headed by an executive director.

Policy

The Department for Natural Resources is comprised of four appropriation units: Natural Resources, Surface Mining Reclamation and Enforcement, Abandoned Mine Lands Reclamation Projects, and Mine Safety and Licensing.

Environmental and Public Protection Cabinet
Natural Resources
Natural Resources Management

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	21,535,200	21,426,000	14,359,700	14,473,100
Total General Fund	21,535,200	21,426,000	14,359,700	14,473,100
Tobacco Settlement-Phase I				
Tobacco Settlement - I	9,000,000	9,000,000	9,000,000	9,000,000
Total Tobacco Settlement-Phase I	9,000,000	9,000,000	9,000,000	9,000,000
Restricted Funds				
Balance Forward	7,346,500	2,564,500	4,687,300	3,734,100
Current Receipts	2,418,900	2,401,300	2,399,900	2,395,100
Non-Revenue Receipts	1,044,800	1,115,300	4,808,500	1,948,600
Total Restricted Funds	10,810,200	6,081,100	11,895,700	8,077,800
Federal Funds				
Current Receipts	10,196,600	10,342,500	10,138,700	10,267,700
Non-Revenue Receipts	-394,800	-395,600	-394,800	-395,600
Total Federal Funds	9,801,800	9,946,900	9,743,900	9,872,100
TOTAL SOURCE OF FUNDS	51,147,200	46,454,000	44,999,300	41,423,000
EXPENDITURES BY CLASS				
Personnel Cost	15,970,800	17,152,400	15,808,600	16,470,500
Operating Expenses	3,888,800	4,153,100	3,854,200	4,112,800
Grants, Loans or Benefits	22,992,800	23,323,500	18,992,800	19,527,300
Capital Outlay	5,730,300	1,825,000	2,609,600	862,400
TOTAL EXPENDITURES	48,582,700	46,454,000	41,265,200	40,973,000
EXPENDITURES BY FUND SOURCE				
General Fund	21,535,200	21,426,000	14,359,700	14,473,100
Tobacco Settlement-Phase I	9,000,000	9,000,000	9,000,000	9,000,000
Restricted Funds	8,245,700	6,081,100	8,161,600	7,627,800
Federal Funds	9,801,800	9,946,900	9,743,900	9,872,100
TOTAL EXPENDITURES	48,582,700	46,454,000	41,265,200	40,973,000
EXPENDITURES BY UNIT				
Commissioner	552,300	609,800	1,559,800	1,601,400
Forestry	22,570,700	19,560,800	18,109,700	16,796,300
Conservation	20,586,900	20,897,400	17,047,700	17,345,500
Energy	3,042,100	3,207,100	3,004,500	3,255,900
Oil and Gas Conservation	1,830,700	2,178,900	1,543,500	1,973,900
TOTAL EXPENDITURES	48,582,700	46,454,000	41,265,200	40,973,000

The Department for Natural Resources is committed to the conservation, preservation, protection, perpetuation, and enhancement of the Commonwealth's natural land resources and to the stimulation of more efficient energy utilization for the benefit of present and future generations of Kentucky citizens.

Policy

Pursuant to Senate Bill 40 and Senate Bill 41 as enacted by the 2005 Regular Session of the General Assembly, the Division of Energy was transferred to the Commerce Cabinet and renamed the Office of Energy Policy.

**Environmental and Public Protection Cabinet
Natural Resources
Natural Resources Management
Commissioner**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	436,300	488,200	522,900	636,300
Total General Fund	<u>436,300</u>	<u>488,200</u>	<u>522,900</u>	<u>636,300</u>
Restricted Funds				
Balance Forward			15,100	157,900
Current Receipts			200	200
Non-Revenue Receipts	116,000	121,600	1,179,500	945,900
Total Restricted Funds	<u>116,000</u>	<u>121,600</u>	<u>1,194,800</u>	<u>1,104,000</u>
TOTAL SOURCE OF FUNDS	<u>552,300</u>	<u>609,800</u>	<u>1,717,700</u>	<u>1,740,300</u>
EXPENDITURES BY CLASS				
Personnel Cost	477,300	513,300	1,390,400	1,440,800
Operating Expenses	75,000	73,600	169,400	160,600
Capital Outlay		22,900		
TOTAL EXPENDITURES	<u>552,300</u>	<u>609,800</u>	<u>1,559,800</u>	<u>1,601,400</u>
EXPENDITURES BY FUND SOURCE				
General Fund	436,300	488,200	522,900	636,300
Restricted Funds	116,000	121,600	1,036,900	965,100
TOTAL EXPENDITURES	<u>552,300</u>	<u>609,800</u>	<u>1,559,800</u>	<u>1,601,400</u>

The Office of the Commissioner provides leadership, policy direction and management for the Department for Natural Resources. Administrative oversight is also provided for the Kentucky Heritage Land Conservation Fund Board, the Biodiversity Council, and the Forestry Best Management Practices Board.

Policy

Senate Bill 41 as enacted by the 2005 General Assembly created the Office of Technical and Administrative Support. The enacted budget provides resources for this new office from the Office of the Commissioner.

**Environmental and Public Protection Cabinet
Natural Resources
Natural Resources Management**

Forestry

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	13,535,100	13,233,500	10,210,600	10,210,600
Total General Fund	13,535,100	13,233,500	10,210,600	10,210,600
Restricted Funds				
Balance Forward	4,895,300	1,027,100	2,358,700	1,445,600
Current Receipts	1,151,000	1,151,000	1,131,800	1,072,900
Non-Revenue Receipts	393,700	393,700	2,251,000	339,900
Total Restricted Funds	6,440,000	2,571,800	5,741,500	2,858,400
Federal Funds				
Current Receipts	3,905,500	4,038,300	3,886,000	4,010,100
Non-Revenue Receipts	-282,800	-282,800	-282,800	-282,800
Total Federal Funds	3,622,700	3,755,500	3,603,200	3,727,300
TOTAL SOURCE OF FUNDS	23,597,800	19,560,800	19,555,300	16,796,300
EXPENDITURES BY CLASS				
Personnel Cost	11,769,200	12,700,700	11,080,500	11,469,800
Operating Expenses	3,021,100	2,970,100	2,876,500	2,876,200
Grants, Loans or Benefits	2,088,900	2,112,900	1,588,900	1,612,900
Capital Outlay	5,691,500	1,777,100	2,563,800	837,400
TOTAL EXPENDITURES	22,570,700	19,560,800	18,109,700	16,796,300
EXPENDITURES BY FUND SOURCE				
General Fund	13,535,100	13,233,500	10,210,600	10,210,600
Restricted Funds	5,412,900	2,571,800	4,295,900	2,858,400
Federal Funds	3,622,700	3,755,500	3,603,200	3,727,300
TOTAL EXPENDITURES	22,570,700	19,560,800	18,109,700	16,796,300

The Division of Forestry is responsible for providing technical assistance on sound forest management practices to private woodland owners, enhancing the state's woodlands by acquiring new forest land and reforestation of idle or unproductive land, and protecting the Commonwealth's 11.9 million acres of forest resources from forest fires, disease, and insects.

Policy

General Fund baseline resources of \$240,000 annually are provided to the Division for emergency fire suppression costs. Language contained in the appropriations bill declares that expenditures in excess of this amount are eligible to be a "necessary governmental expense" to be paid from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund (KRS 48.705).

Environmental and Public Protection Cabinet
Natural Resources
Natural Resources Management
Conservation

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	5,989,600	6,098,100	2,440,100	2,440,100
Total General Fund	5,989,600	6,098,100	2,440,100	2,440,100
Tobacco Settlement-Phase I				
Tobacco Settlement - I	9,000,000	9,000,000	9,000,000	9,000,000
Total Tobacco Settlement-Phase I	9,000,000	9,000,000	9,000,000	9,000,000
Restricted Funds				
Balance Forward	1,560,300	883,400	982,100	1,004,100
Current Receipts	583,700	566,100	583,700	566,500
Non-Revenue Receipts	572,000	572,800	1,288,000	572,800
Total Restricted Funds	2,716,000	2,022,300	2,853,800	2,143,400
Federal Funds				
Current Receipts	3,786,700	3,799,800	3,779,900	3,784,800
Non-Revenue Receipts	-22,000	-22,800	-22,000	-22,800
Total Federal Funds	3,764,700	3,777,000	3,757,900	3,762,000
TOTAL SOURCE OF FUNDS	21,470,300	20,897,400	18,051,800	17,345,500
EXPENDITURES BY CLASS				
Personnel Cost	1,506,700	1,619,100	1,461,000	1,489,800
Operating Expenses	223,800	225,800	230,300	223,200
Grants, Loans or Benefits	18,832,600	19,027,500	15,332,600	15,607,500
Capital Outlay	23,800	25,000	23,800	25,000
TOTAL EXPENDITURES	20,586,900	20,897,400	17,047,700	17,345,500
EXPENDITURES BY FUND SOURCE				
General Fund	5,989,600	6,098,100	2,440,100	2,440,100
Tobacco Settlement-Phase I	9,000,000	9,000,000	9,000,000	9,000,000
Restricted Funds	1,832,600	2,022,300	1,849,700	2,143,400
Federal Funds	3,764,700	3,777,000	3,757,900	3,762,000
TOTAL EXPENDITURES	20,586,900	20,897,400	17,047,700	17,345,500

The Division of Conservation provides assistance to Kentucky's 121 conservation districts in the development and implementation of sound conservation programs. Their purpose is to protect, enhance, and develop the Commonwealth's natural resources to maximize resource utilization for the greatest number of citizens over the longest time period. The Division also develops educational activities; provides local conservation districts with financial assistance and equipment loans for conservation and water quality-related work on Kentucky lands; and provides administrative services to the State Soil and Water Conservation Commission. The Division has responsibility for the Soil Conservation Technical Assistance program.

Policy

General Fund support of \$9 million each fiscal year from Tobacco Settlement Funds is provided for the state share of the Environmental Stewardship Program cost share activities.

**Environmental and Public Protection Cabinet
Natural Resources
Natural Resources Management**

Energy

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	189,900	189,900	174,500	174,500
Total General Fund	189,900	189,900	174,500	174,500
Restricted Funds				
Balance Forward	860,600	512,800	1,276,900	919,700
Non-Revenue Receipts	90,000	90,000	90,000	90,000
Total Restricted Funds	950,600	602,800	1,366,900	1,009,700
Federal Funds				
Current Receipts	2,504,400	2,504,400	2,472,800	2,472,800
Non-Revenue Receipts	-90,000	-90,000	-90,000	-90,000
Total Federal Funds	2,414,400	2,414,400	2,382,800	2,382,800
TOTAL SOURCE OF FUNDS	3,554,900	3,207,100	3,924,200	3,567,000
EXPENDITURES BY CLASS				
Personnel Cost	648,200	701,400	610,600	626,400
Operating Expenses	322,600	322,600	322,600	322,600
Grants, Loans or Benefits	2,071,300	2,183,100	2,071,300	2,306,900
TOTAL EXPENDITURES	3,042,100	3,207,100	3,004,500	3,255,900
EXPENDITURES BY FUND SOURCE				
General Fund	189,900	189,900	174,500	174,500
Restricted Funds	437,800	602,800	447,200	698,600
Federal Funds	2,414,400	2,414,400	2,382,800	2,382,800
TOTAL EXPENDITURES	3,042,100	3,207,100	3,004,500	3,255,900

The Division of Energy has responsibility for encouraging energy efficiency in all sectors of the Kentucky economy to reduce costs and enhance national energy security.

The Division provides: school, hospital, and industrial sector grants; technical assistance to citizens concerned with energy efficiency and alternative energy sources such as solar, wood, geothermal, and wind; emergency planning for energy shortages; and energy data compilation.

Policy

Pursuant to Senate Bill 40 and Senate Bill 41 as enacted by the 2005 General Assembly, the Division of Energy was transferred to the Commerce Cabinet and renamed the Office of Energy Policy.

**Environmental and Public Protection Cabinet
Natural Resources
Natural Resources Management
Oil and Gas Conservation**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,384,300	1,416,300	1,011,600	1,011,600
Total General Fund	1,384,300	1,416,300	1,011,600	1,011,600
Restricted Funds				
Balance Forward	30,300	141,200	54,500	206,800
Current Receipts	684,200	684,200	684,200	755,500
Non-Revenue Receipts	-126,900	-62,800		
Total Restricted Funds	587,600	762,600	738,700	962,300
TOTAL SOURCE OF FUNDS	1,971,900	2,178,900	1,750,300	1,973,900
EXPENDITURES BY CLASS				
Personnel Cost	1,569,400	1,617,900	1,266,100	1,443,700
Operating Expenses	246,300	561,000	255,400	530,200
Capital Outlay	15,000		22,000	
TOTAL EXPENDITURES	1,830,700	2,178,900	1,543,500	1,973,900
EXPENDITURES BY FUND SOURCE				
General Fund	1,384,300	1,416,300	1,011,600	1,011,600
Restricted Funds	446,400	762,600	531,900	962,300
TOTAL EXPENDITURES	1,830,700	2,178,900	1,543,500	1,973,900

The Division of Oil and Gas, pursuant to KRS Chapter 353, is responsible for the conservation of oil and gas resources of the Commonwealth and for the protection of correlative rights of mineral owners. Requirements are to prevent waste and unnecessary loss, to encourage the maximum recovery of oil and gas, to promote safety, and to prevent contamination of underground water resources. The program is also charged with the collection of geological data obtained from the drilling of oil and gas wells for deposit in the Kentucky Geological Survey whose records are for public use. The agency also plugs abandoned wells.

Formerly a division within the Department for Mines and Minerals within the Cabinet for Public Protection, the agency was reorganized with the passage of Senate Bill 41 during the 2005 Regular Session of the General Assembly. It is now managed by the Department for Natural Resources within the Environmental and Public Protection Cabinet.

**Environmental and Public Protection Cabinet
Natural Resources
Mine Reclamation and Enforcement**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	11,820,600	12,580,400	10,216,300	10,295,000
Total General Fund	11,820,600	12,580,400	10,216,300	10,295,000
Restricted Funds				
Balance Forward	24,162,100	23,082,300	29,192,700	29,412,900
Current Receipts	2,644,100	2,644,300	2,592,500	2,653,000
Non-Revenue Receipts	2,581,400	2,793,500	7,169,300	2,325,100
Total Restricted Funds	29,387,600	28,520,100	38,954,500	34,391,000
Federal Funds				
Current Receipts	20,547,300	21,749,300	19,372,100	19,697,400
Non-Revenue Receipts	-2,579,400	-2,793,500	-2,539,400	-2,689,500
Total Federal Funds	17,967,900	18,955,800	16,832,700	17,007,900
TOTAL SOURCE OF FUNDS	59,176,100	60,056,300	66,003,500	61,693,900
EXPENDITURES BY CLASS				
Personnel Cost	28,476,600	30,249,800	25,638,700	25,949,000
Operating Expenses	4,650,900	4,743,800	8,235,600	4,347,600
Grants, Loans or Benefits	1,308,600	1,308,600	1,108,600	1,308,600
Capital Outlay	1,217,100	1,205,600	1,167,100	1,175,600
Construction	440,600	623,300	440,600	623,300
TOTAL EXPENDITURES	36,093,800	38,131,100	36,590,600	33,404,100
EXPENDITURES BY FUND SOURCE				
General Fund	11,820,600	12,580,400	10,216,300	10,295,000
Restricted Funds	6,305,300	6,594,900	9,541,600	6,101,200
Federal Funds	17,967,900	18,955,800	16,832,700	17,007,900
TOTAL EXPENDITURES	36,093,800	38,131,100	36,590,600	33,404,100
EXPENDITURES BY UNIT				
Commissioner	2,536,300	2,712,300		
Permits	8,695,100	9,084,200	9,145,800	9,448,200
Field Services	14,434,800	15,391,800	17,279,300	13,544,200
Abandoned Mine Lands	10,427,600	10,942,800	10,165,500	10,411,700
TOTAL EXPENDITURES	36,093,800	38,131,100	36,590,600	33,404,100

Senate Bill 41, as enacted by the 2005 Regular Session of the General Assembly, abolished the Department for Surface Mining Reclamation and Enforcement. All duties, functions, responsibilities, records, equipment, staff, and budgets of the former Department were transferred to the Department of Natural Resources.

**Environmental and Public Protection Cabinet
Natural Resources
Mine Reclamation and Enforcement**

Permits

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	3,636,400	3,828,400	4,034,100	4,112,800
Total General Fund	<u>3,636,400</u>	<u>3,828,400</u>	<u>4,034,100</u>	<u>4,112,800</u>
Restricted Funds				
Balance Forward	1,800	4,700	78,300	211,500
Current Receipts	9,700	9,700	9,700	9,700
Non-Revenue Receipts	210,000	205,000	627,500	710,900
Total Restricted Funds	<u>221,500</u>	<u>219,400</u>	<u>715,500</u>	<u>932,100</u>
Federal Funds				
Current Receipts	5,301,900	5,516,400	5,027,700	5,050,100
Non-Revenue Receipts	-460,000	-480,000	-420,000	-440,000
Total Federal Funds	<u>4,841,900</u>	<u>5,036,400</u>	<u>4,607,700</u>	<u>4,610,100</u>
TOTAL SOURCE OF FUNDS	<u>8,699,800</u>	<u>9,084,200</u>	<u>9,357,300</u>	<u>9,655,000</u>
EXPENDITURES BY CLASS				
Personnel Cost	6,726,300	7,110,400	7,284,300	7,385,000
Operating Expenses	1,200,800	1,205,800	1,293,500	1,295,200
Grants, Loans or Benefits	708,000	708,000	508,000	708,000
Capital Outlay	60,000	60,000	60,000	60,000
TOTAL EXPENDITURES	<u>8,695,100</u>	<u>9,084,200</u>	<u>9,145,800</u>	<u>9,448,200</u>
EXPENDITURES BY FUND SOURCE				
General Fund	3,636,400	3,828,400	4,034,100	4,112,800
Restricted Funds	216,800	219,400	504,000	725,300
Federal Funds	4,841,900	5,036,400	4,607,700	4,610,100
TOTAL EXPENDITURES	<u>8,695,100</u>	<u>9,084,200</u>	<u>9,145,800</u>	<u>9,448,200</u>

The Division of Permits is responsible for reviewing all surface mining permit applications according to standards in Kentucky statutes and the federal Surface Mining Control and Reclamation Act. The Division administers the federal Small Operator's Assistance and Lands Unsuitable for Mining programs, and reviews underground mining applications to determine the surface effects of such operations.

Policy

Included in the above General Fund appropriation is \$675,000 in each fiscal year for the return of permit and acreage fees under KRS 350.139. Any required expenditure for this purpose in excess of this amount in either fiscal year is appropriated to the Department as a necessary government expense or through a current year appropriation.

**Environmental and Public Protection Cabinet
Natural Resources
Mine Reclamation and Enforcement
Field Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	7,001,100	7,358,300	6,182,200	6,182,200
Total General Fund	7,001,100	7,358,300	6,182,200	6,182,200
Restricted Funds				
Balance Forward	505,800	256,900	453,000	14,839,100
Current Receipts	68,800	68,800	1,135,600	1,174,600
Non-Revenue Receipts	312,500	504,600	18,183,000	243,700
Total Restricted Funds	887,100	830,300	19,771,600	16,257,400
Federal Funds				
Current Receipts	7,663,400	8,282,000	7,024,500	7,227,500
Non-Revenue Receipts	-859,900	-1,054,000	-859,900	-990,000
Total Federal Funds	6,803,500	7,228,000	6,164,600	6,237,500
TOTAL SOURCE OF FUNDS	14,691,700	15,416,600	32,118,400	28,677,100
EXPENDITURES BY CLASS				
Personnel Cost	11,140,100	12,030,300	10,264,900	10,420,500
Operating Expenses	2,204,600	2,291,400	5,974,300	2,083,600
Grants, Loans or Benefits	190,500	190,500	190,500	190,500
Capital Outlay	899,600	879,600	849,600	849,600
TOTAL EXPENDITURES	14,434,800	15,391,800	17,279,300	13,544,200
EXPENDITURES BY FUND SOURCE				
General Fund	7,001,100	7,358,300	6,182,200	6,182,200
Restricted Funds	630,200	805,500	4,932,500	1,124,500
Federal Funds	6,803,500	7,228,000	6,164,600	6,237,500
TOTAL EXPENDITURES	14,434,800	15,391,800	17,279,300	13,544,200

The Division of Field Services is responsible for developing policies and procedures for reclamation and enforcement programs in coal and non-coal minerals and conducting an effective inspection program to carry out these policies and procedures in accordance with applicable federal and state statutes.

Policy

Included in the above restricted funds appropriation is \$3,840,000 for Surface Mining Reclamation and Enforcement in fiscal year 2004-2005. Executive Order 2004-753 dated July 12, 2004, directs that funds be restored to the Surface Mining Bond Pool Fund to assure compliance with federal requirements.

In each fiscal year of the biennium, resources are provided to address needs related to non-coal activities, including limestone, sand, and gravel quarries.

Environmental and Public Protection Cabinet
Natural Resources
Mine Reclamation and Enforcement
Abandoned Mine Lands

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	9,534,600	8,306,400	15,291,200	14,362,300
Current Receipts	1,428,600	1,428,600	1,447,200	1,468,700
Non-Revenue Receipts	1,448,300	1,410,600	1,729,000	1,370,500
Total Restricted Funds	<u>12,411,500</u>	<u>11,145,600</u>	<u>18,467,400</u>	<u>17,201,500</u>
Federal Funds				
Current Receipts	7,582,000	7,950,900	7,319,900	7,419,800
Non-Revenue Receipts	-1,259,500	-1,259,500	-1,259,500	-1,259,500
Total Federal Funds	<u>6,322,500</u>	<u>6,691,400</u>	<u>6,060,400</u>	<u>6,160,300</u>
TOTAL SOURCE OF FUNDS	<u>18,734,000</u>	<u>17,837,000</u>	<u>24,527,800</u>	<u>23,361,800</u>
EXPENDITURES BY CLASS				
Personnel Cost	8,351,600	8,674,600	8,089,500	8,143,500
Operating Expenses	967,800	968,800	967,800	968,800
Grants, Loans or Benefits	410,100	410,100	410,100	410,100
Capital Outlay	257,500	266,000	257,500	266,000
Construction	440,600	623,300	440,600	623,300
TOTAL EXPENDITURES	<u>10,427,600</u>	<u>10,942,800</u>	<u>10,165,500</u>	<u>10,411,700</u>
EXPENDITURES BY FUND SOURCE				
Restricted Funds	4,105,100	4,251,400	4,105,100	4,251,400
Federal Funds	6,322,500	6,691,400	6,060,400	6,160,300
TOTAL EXPENDITURES	<u>10,427,600</u>	<u>10,942,800</u>	<u>10,165,500</u>	<u>10,411,700</u>

The Division of Abandoned Mine Lands is responsible for abandoned or unreclaimed land reclamation activities on previously surface-mined land or land used in connection with surface mining under Title IV of Public Law 95-87 and/or KRS 350.

Federal funds for this program are provided from federal tax levies imposed under Public Law 95-87 on all coal mined since August 3, 1977. Approximately 150,000 acres of abandoned mine lands in Kentucky are eligible for eventual reclamation. The Commonwealth must maintain an approved Abandoned Mine Land Reclamation program, or federal funding allocations for Kentucky reclamation projects will be reallocated to other coal-producing states. All agency and federal reclamation projects are administered from the program area. The agency, bond, and partial federal project contracts are expended from this program.

**Environmental and Public Protection Cabinet
Natural Resources
Abandoned Mine Land Reclamation Projects**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
Federal Funds				
Current Receipts	22,000,000	22,000,000	22,000,000	22,000,000
Total Federal Funds	<u>22,000,000</u>	<u>22,000,000</u>	<u>22,000,000</u>	<u>22,000,000</u>
TOTAL SOURCE OF FUNDS	22,000,000	22,000,000	22,000,000	22,000,000
EXPENDITURES BY CLASS				
Personnel Cost	170,000	170,000	170,000	170,000
Grants, Loans or Benefits	9,500,000	9,500,000	9,500,000	9,500,000
Construction	12,330,000	12,330,000	12,330,000	12,330,000
TOTAL EXPENDITURES	<u>22,000,000</u>	<u>22,000,000</u>	<u>22,000,000</u>	<u>22,000,000</u>
EXPENDITURES BY FUND SOURCE				
Federal Funds	22,000,000	22,000,000	22,000,000	22,000,000
TOTAL EXPENDITURES	<u>22,000,000</u>	<u>22,000,000</u>	<u>22,000,000</u>	<u>22,000,000</u>

The Abandoned Mine Lands (AML) Reclamation Projects program in the Department for Natural Resources receives 100 percent federal funding for the reclamation of certain mine sites that have been abandoned or left unreclaimed under Title IV of Public Law 95-87 or KRS 350. If the Commonwealth does not maintain an approved AML Reclamation program, allocated funds for reclamation projects within the state may be reallocated to other coal-producing states. The Environmental and Public Protection Cabinet continues to reclaim abandoned mine sites through a priority ranking system which first reclaims sites which are considered the highest threat to human life and safety. A high priority is placed on providing clean, safe, potable water to the citizens of the coalfields whose drinking water supplies have been contaminated by past mining activities.

**Environmental and Public Protection Cabinet
Natural Resources
Mine Safety and Licensing**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	9,506,000	10,348,200	8,805,800	9,021,800
Total General Fund	9,506,000	10,348,200	8,805,800	9,021,800
Restricted Funds				
Balance Forward	100	700	54,900	200
Current Receipts	365,100	365,100	365,100	365,100
Non-Revenue Receipts	925,400	850,000	-126,900	160,300
Total Restricted Funds	1,290,600	1,215,800	293,100	525,600
Federal Funds				
Balance Forward	4,800		4,800	
Current Receipts	603,300	603,300	1,462,200	603,300
Total Federal Funds	608,100	603,300	1,467,000	603,300
TOTAL SOURCE OF FUNDS	11,404,700	12,167,300	10,565,900	10,150,700
EXPENDITURES BY CLASS				
Personnel Cost	9,399,700	10,170,500	8,046,600	8,515,800
Operating Expenses	2,004,300	1,945,200	2,508,700	1,609,600
Capital Outlay		25,000	10,400	25,000
TOTAL EXPENDITURES	11,404,000	12,140,700	10,565,700	10,150,400
EXPENDITURES BY FUND SOURCE				
General Fund	9,506,000	10,348,200	8,805,800	9,021,800
Restricted Funds	1,289,900	1,189,200	292,900	525,300
Federal Funds	608,100	603,300	1,467,000	603,300
TOTAL EXPENDITURES	11,404,000	12,140,700	10,565,700	10,150,400
EXPENDITURES BY UNIT				
General Administration	1,559,500	1,669,300	761,600	790,900
Mine Safety	9,203,100	9,720,000	9,177,300	8,732,700
Explosives and Blasting	641,400	751,400	626,800	626,800
TOTAL EXPENDITURES	11,404,000	12,140,700	10,565,700	10,150,400

The Office of Mine Safety and Licensing, pursuant to KRS Chapter 351, is responsible for the regulation of mining practices to prevent injuries and fatalities in underground, strip, and auger mines. Formerly a department within the Cabinet for Public Protection, the agency was reorganized with the passage of Senate Bill 41 during the 2005 Regular Session of the General Assembly. It is now managed by the Department for Natural Resources.

The Office trains, tests and licenses mine personnel. Its mine safety instructors provide general and technical safety training and education courses to mine personnel to maintain an adequate number of certified and qualified personnel for the mining industry. Moreover, the agency encourages safe work habits of coal miners by providing quality on-the-job, one-on-one safety training for surface miners.

The Office licenses all underground and surface coal mines in the Commonwealth. It issues special permits for specific mining methods including the use of diesel equipment, roof control, extended cuts, and mining near oil and gas wells, and issues permits for additional mine openings. The agency inspects mines, regulates solid shooting (blasting) within the mines and investigates illegal mining operations.

The Office develops and maintains databases to track information about each mining operation. The data base includes: number of miners employed by the mine, type of operations, type of worker's compensation insurance, and the number and type of mining law violations, closures, and abatements for each mine and mine operator. A second database provides information on all individuals certified as surface mine foremen, surface mine safety analysts, underground mine foremen, underground mine instructors, underground mine inspectors, and electrical inspectors.

Policy

The Budget of the Commonwealth provides additional General Fund in the amount of \$250,000 in fiscal year 2004-2005 and \$437,400 in fiscal year 2005-2006 to support additional mine inspector positions and their associated operating costs.

**Environmental and Public Protection Cabinet
Environmental Quality Commission**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	274,200	310,200	150,000	150,000
Total General Fund	<u>274,200</u>	<u>310,200</u>	<u>150,000</u>	<u>150,000</u>
Restricted Funds				
Balance Forward			1,900	1,000
Current Receipts	200	200		
Non-Revenue Receipts			100,000	107,500
Total Restricted Funds	<u>200</u>	<u>200</u>	<u>101,900</u>	<u>108,500</u>
TOTAL SOURCE OF FUNDS	<u>274,400</u>	<u>310,400</u>	<u>251,900</u>	<u>258,500</u>
EXPENDITURES BY CLASS				
Personnel Cost	231,400	253,400	208,200	214,600
Operating Expenses	43,000	57,000	42,700	43,900
TOTAL EXPENDITURES	<u>274,400</u>	<u>310,400</u>	<u>250,900</u>	<u>258,500</u>
EXPENDITURES BY FUND SOURCE				
General Fund	274,200	310,200	150,000	150,000
Restricted Funds	200	200	100,900	108,500
TOTAL EXPENDITURES	<u>274,400</u>	<u>310,400</u>	<u>250,900</u>	<u>258,500</u>

The Environmental Quality Commission, codified in KRS 224.041-224.055, is an independent citizen board with seven members representing various interests and geographic areas of the state. The Commission advises the Governor and the Environmental and Public Protection Cabinet on environmental rules, regulations, policies, plans, and procedures. The Commission also serves as a public forum for the exchange of views, concerns, information, and recommendations relating to the quality of the natural environment.

Policy

The Environmental Quality Commission is attached to the Environmental and Public Protection Cabinet's Office of the Secretary, but remains a separate budget unit. The Secretary, with the approval of the Commissioners of the Environmental Quality Commission, may employ a director and other necessary Commission staff who shall serve at the pleasure of the Commission and the Secretary.

**Environmental and Public Protection Cabinet
Kentucky Nature Preserves Commission**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,925,200	1,939,200	1,049,300	1,049,300
Total General Fund	1,925,200	1,939,200	1,049,300	1,049,300
Restricted Funds				
Balance Forward	686,100	656,600	710,500	706,500
Current Receipts	229,700	193,500	229,700	193,500
Non-Revenue Receipts	70,900	70,900	70,900	70,900
Total Restricted Funds	986,700	921,000	1,011,100	970,900
Federal Funds				
Current Receipts	75,500	75,500	75,500	75,500
Non-Revenue Receipts	-5,000	-5,000	-5,000	-5,000
Total Federal Funds	70,500	70,500	70,500	70,500
TOTAL SOURCE OF FUNDS	2,982,400	2,930,700	2,130,900	2,090,700
EXPENDITURES BY CLASS				
Personnel Cost	1,663,700	1,786,700	1,111,700	1,140,200
Operating Expenses	447,100	454,800	282,700	282,700
Grants, Loans or Benefits	30,000	30,000	30,000	30,000
Capital Outlay	185,000	45,800		
TOTAL EXPENDITURES	2,325,800	2,317,300	1,424,400	1,452,900
EXPENDITURES BY FUND SOURCE				
General Fund	1,925,200	1,939,200	1,049,300	1,049,300
Restricted Funds	330,100	307,600	304,600	333,100
Federal Funds	70,500	70,500	70,500	70,500
TOTAL EXPENDITURES	2,325,800	2,317,300	1,424,400	1,452,900

The Kentucky Nature Preserves Commission, pursuant to KRS 146.410-146.530, has two mandated goals: to inventory the Commonwealth for its natural diversity, including its plants, animal life, biological communities, and areas of natural significance; and to protect these natural features by establishing a system of nature preserves. Pursuant to KRS 224.10-022, the Commission is attached to the Environmental and Public Protection Cabinet's Office of the Secretary.

Acquisition and management funds for nature preserves are derived through a tax refund check-off system under KRS 141.450-141.480, through gifts, grants, devises and bequests pursuant to KRS 146.465 and through allocations from the Kentucky Heritage Land Conservation Fund pursuant to KRS 146.570. The Commission, together with the Kentucky Department of Fish and Wildlife Resources, shares equally the receipts generated by the Non-game Species Protection and Habitat Acquisition program.

**Environmental and Public Protection Cabinet
Public Protection**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	29,392,800	31,965,100	16,437,800	16,714,100
Continuing Appropriation	2,326,300	2,276,300	1,807,300	
Total General Fund	31,719,100	34,241,400	18,245,100	16,714,100
Tobacco Settlement-Phase I				
Tobacco Settlement - I	17,555,100	17,725,000	16,782,600	16,751,700
Total Tobacco Settlement-Phase I	17,555,100	17,725,000	16,782,600	16,751,700
Restricted Funds				
Balance Forward	32,143,300	39,794,500	22,637,100	18,234,300
Current Receipts	68,723,500	70,565,600	65,051,900	67,215,400
Non-Revenue Receipts	15,017,300	15,544,300	11,227,700	12,331,000
Fund Transfers			-8,890,200	-14,052,400
Total Restricted Funds	115,884,100	125,904,400	90,026,500	83,728,300
Federal Funds				
Balance Forward	321,300	321,300	321,300	321,300
Current Receipts	801,900	822,300	5,151,100	797,400
Total Federal Funds	1,123,200	1,143,600	5,472,400	1,118,700
TOTAL SOURCE OF FUNDS	166,281,500	179,014,400	130,526,600	118,312,800
EXPENDITURES BY CLASS				
Personnel Cost	94,447,500	100,989,000	80,174,100	79,279,000
Operating Expenses	17,153,000	17,243,100	17,042,400	16,966,800
Grants, Loans or Benefits	11,295,400	11,026,800	11,775,900	10,890,200
Debt Service	589,000	589,000	589,000	589,000
Capital Outlay	407,300	402,500	407,300	402,500
Construction			175,000	
TOTAL EXPENDITURES	123,892,200	130,250,400	110,163,700	108,127,500
EXPENDITURES BY FUND SOURCE				
General Fund	29,442,800	32,015,100	16,437,800	16,714,100
Tobacco Settlement-Phase I	17,555,100	17,725,000	16,782,600	16,751,700
Restricted Funds	76,089,600	79,676,400	71,792,200	73,864,300
Federal Funds	801,900	822,300	5,151,100	797,400
TOTAL EXPENDITURES	123,889,400	130,238,800	110,163,700	108,127,500
EXPENDITURES BY UNIT				
Public Protection Commissioner	2,023,500	2,152,200	1,463,000	1,512,900
Board of Claims/Crime Victims' Compensation Bd.	4,416,300	4,502,100	4,187,400	4,209,500
Alcoholic Beverage Control	5,923,500	6,216,600	5,715,400	5,759,300
Financial Institutions	9,211,800	9,791,400	8,224,900	8,594,800
Insurance	55,001,200	58,358,900	43,469,100	40,558,800
Horse Racing Authority	13,932,500	13,804,200	14,511,800	13,684,500
Housing, Buildings and Construction	16,567,900	17,667,100	16,092,400	17,060,400
Public Service Commission	12,509,400	13,171,200	12,427,700	12,691,100
Tax Appeals	509,900	541,800	486,100	486,100
Charitable Gaming	3,663,700	3,903,600	3,476,600	3,470,100
Boxing and Wrestling Authority	129,700	129,700	109,300	100,000
TOTAL EXPENDITURES	123,889,400	130,238,800	110,163,700	108,127,500

The Commissioner's Office provides the coordination and direction for planning and management of the agencies within and attached to the Public Protection Department. The Commissioner guides Departmental agencies in policy and program implementation and is responsible for operating each agency in the most efficient and cost effective manner possible while maintaining a high quality of service to the businesses, trades and professionals it licenses and regulates, as well as the general public.

**Environmental and Public Protection Cabinet
Public Protection
Public Protection Commissioner**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	380,100	84,800	380,100	84,800
Non-Revenue Receipts	1,728,200	2,107,600	1,167,700	1,428,100
Total Restricted Funds	<u>2,108,300</u>	<u>2,192,400</u>	<u>1,547,800</u>	<u>1,512,900</u>
TOTAL SOURCE OF FUNDS	2,108,300	2,192,400	1,547,800	1,512,900
EXPENDITURES BY CLASS				
Personnel Cost	1,694,000	1,820,400	1,170,100	1,201,500
Operating Expenses	329,500	331,800	292,900	311,400
TOTAL EXPENDITURES	<u>2,023,500</u>	<u>2,152,200</u>	<u>1,463,000</u>	<u>1,512,900</u>
EXPENDITURES BY FUND SOURCE				
Restricted Funds	2,023,500	2,152,200	1,463,000	1,512,900
TOTAL EXPENDITURES	<u>2,023,500</u>	<u>2,152,200</u>	<u>1,463,000</u>	<u>1,512,900</u>

The Commissioner's Office provides the coordination and direction for planning and management of the agencies within and attached to the Public Protection Department. The Commissioner guides Departmental agencies in policy and program implementation and is responsible for operating each agency in the most efficient and cost effective manner possible while maintaining a high quality of service to the businesses, trades and professionals it licenses and regulates, as well as, the general public.

**Environmental and Public Protection Cabinet
Public Protection
Board of Claims/Crime Victims' Compensation Bd.**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	898,700	937,600	813,000	813,000
Total General Fund	898,700	937,600	813,000	813,000
Restricted Funds				
Balance Forward	1,044,300	564,500	1,546,300	1,061,000
Current Receipts	2,403,400	2,414,800	2,403,400	2,414,800
Non-Revenue Receipts	94,300	88,600	94,300	88,600
Fund Transfers			-148,700	
Total Restricted Funds	3,542,000	3,067,900	3,895,300	3,564,400
Federal Funds				
Balance Forward	4,900	4,900	4,900	4,900
Current Receipts	540,100	540,100	540,100	540,100
Total Federal Funds	545,000	545,000	545,000	545,000
TOTAL SOURCE OF FUNDS	4,985,700	4,550,500	5,253,300	4,922,400
EXPENDITURES BY CLASS				
Personnel Cost	1,271,800	1,359,100	1,042,900	1,066,500
Operating Expenses	2,944,500	2,943,000	2,944,500	2,943,000
Grants, Loans or Benefits	200,000	200,000	200,000	200,000
TOTAL EXPENDITURES	4,416,300	4,502,100	4,187,400	4,209,500
EXPENDITURES BY FUND SOURCE				
General Fund	898,700	937,600	813,000	813,000
Restricted Funds	2,977,500	3,024,400	2,834,300	2,856,400
Federal Funds	540,100	540,100	540,100	540,100
TOTAL EXPENDITURES	4,416,300	4,502,100	4,187,400	4,209,500
EXPENDITURES BY UNIT				
Board of Claims	1,404,300	1,491,600	1,175,400	1,199,000
Crime Victims' Board	2,296,100	2,294,600	2,296,100	2,294,600
Crime Victims' Board Federal Grants	515,900	515,900	515,900	515,900
Sexual Assault Examination Program	200,000	200,000	200,000	200,000
TOTAL EXPENDITURES	4,416,300	4,502,100	4,187,400	4,209,500

The Board of Claims, pursuant to KRS Chapter 44, is the only forum through which a citizen may sue the state for alleged negligence. Awards of less than \$1,000 are paid from funds of the state agency determined to be at fault. Awards over \$1,000 are paid from appropriations from the General Fund, and awards against the Transportation Cabinet are paid from the Road Fund. The maximum award on a single claim is \$100,000 and there is a cap of \$250,000 on multiple claims arising from the same incident.

The Crime Victims' Compensation Board, pursuant to KRS Chapter 346, is empowered to reimburse innocent crime victims up to \$25,000 for their medical expenses, lost wages that are not paid by any other source and funeral expenses up to \$5,000. The amount of time that a claimant has to submit a claim to the Board is five years. The Crime Victims Compensation Board is funded through an allocation of 3.4 percent of the state court cost fees.

The Boards are composed of the same five members appointed by the Governor. Both entities share staff services provided by the agency.

Formerly administratively attached to the Cabinet for Public Protection, the agency was reorganized with the passage of Senate Bill 41 during the 2005 Regular Session of the General Assembly. The Board is an independent agency that is attached to the Department for Public Protection for administrative purposes only.

Policy

Notwithstanding KRS 216.400(8), examinations for reported victims of sexual assault shall be paid by the Crime Victims' Compensation Board in a manner consistent with KRS Chapter 346, at a rate determined by the Board. The Board will reimburse the hospital or sexual assault examination facility as provided in administrative regulations promulgated by the Board.

The Budget of the Commonwealth provides \$200,000 in General Fund dollars during each year of the biennium to fund sexual assault forensic medical examinations. These funds are combined with federal grant dollars from the Federal Crime Victims Assistance program at a 60:40 match ratio.

**Environmental and Public Protection Cabinet
Public Protection
Alcoholic Beverage Control**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,220,500	1,225,800	1,380,800	1,380,800
Total General Fund	1,220,500	1,225,800	1,380,800	1,380,800
Restricted Funds				
Balance Forward	1,247,600	1,334,400	1,242,600	494,900
Current Receipts	4,789,800	4,960,200	4,730,100	4,853,800
Non-Revenue Receipts			-133,500	-120,700
Fund Transfers			-1,009,700	
Total Restricted Funds	6,037,400	6,294,600	4,829,500	5,228,000
TOTAL SOURCE OF FUNDS	7,257,900	7,520,400	6,210,300	6,608,800
EXPENDITURES BY CLASS				
Personnel Cost	4,863,800	5,209,700	4,655,700	4,755,400
Operating Expenses	1,044,900	1,006,900	1,044,900	1,003,900
Capital Outlay	14,800		14,800	
TOTAL EXPENDITURES	5,923,500	6,216,600	5,715,400	5,759,300
EXPENDITURES BY FUND SOURCE				
General Fund	1,220,500	1,225,800	1,380,800	1,380,800
Restricted Funds	4,703,000	4,990,800	4,334,600	4,378,500
TOTAL EXPENDITURES	5,923,500	6,216,600	5,715,400	5,759,300
EXPENDITURES BY UNIT				
Administration, Enforcement, and License	5,515,600	5,843,400	5,347,600	5,395,800
Tobacco Enforcement	407,900	373,200	367,800	363,500
TOTAL EXPENDITURES	5,923,500	6,216,600	5,715,400	5,759,300

The Office of Alcoholic Beverage Control (ABC), pursuant to KRS Chapters 241-244, enforces laws relating to the manufacture, sale, transportation, storage, and advertising of alcoholic beverages. The agency does not collect taxes. Formerly a department within the Cabinet for Public Protection, the agency was reorganized with the passage of Senate Bill 41 during the 2005 Regular Session of the General Assembly. It is now managed by the Department for Public Protection.

The Executive Director of the Office serves as both the agency's administrative officer and the Chairman of the Alcoholic Beverage Control Board, which also includes the Administrators of the Malt Beverage and Distilled Spirits divisions. The Governor appoints all three.

In exercising its quasi-judicial authority, the ABC Board may suspend, revoke, or cancel for cause, after hearing, any license issued relating to violation of alcoholic beverage laws. The ABC Board also conducts hearings for and appeals from an applicant whose license is refused by city or county administrators.

The Office has enforcement officers assigned throughout the state who conduct investigations, make regular inspections, and otherwise monitor compliance with ABC laws.

The Department implements laws relating to the sale and use of tobacco products.

Policy

The Budget of the Commonwealth includes Restricted Funds in the amount of \$52,300 in fiscal year 2004-2005 and \$65,600 in fiscal year 2005-2006 which are provided for the Server Training in Alcohol Regulations (S.T.A.R.) program. The cost of the program is funded with fees from the course participants. Eastern Kentucky University provides the classroom instructors.

Included in the above General Fund appropriation is \$250,000 in each year of the biennium to carry out the provisions of KRS 438.337 relating to regulation and enforcement of tobacco sales to minors.

Environmental and Public Protection Cabinet
Public Protection
Financial Institutions

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	3,429,100	4,519,600	3,787,200	1,676,700
Current Receipts	10,626,000	11,061,300	10,626,000	11,061,200
Non-Revenue Receipts	-323,700	-394,900	-1,091,500	-1,022,000
Fund Transfers			-3,420,100	-2,712,100
Total Restricted Funds	13,731,400	15,186,000	9,901,600	9,003,800
TOTAL SOURCE OF FUNDS	13,731,400	15,186,000	9,901,600	9,003,800
EXPENDITURES BY CLASS				
Personnel Cost	6,884,600	7,420,600	5,912,800	6,239,100
Operating Expenses	1,965,100	1,998,700	1,950,000	1,983,600
Capital Outlay	362,100	372,100	362,100	372,100
TOTAL EXPENDITURES	9,211,800	9,791,400	8,224,900	8,594,800
EXPENDITURES BY FUND SOURCE				
Restricted Funds	9,211,800	9,791,400	8,224,900	8,594,800
TOTAL EXPENDITURES	9,211,800	9,791,400	8,224,900	8,594,800
EXPENDITURES BY UNIT				
Administrative Services	1,048,400	1,119,200	959,900	990,900
Financial Institutions	5,273,700	5,605,800	5,093,700	5,213,400
Executive Director	1,452,100	1,537,100	660,300	845,600
Securities	1,437,600	1,529,300	1,511,000	1,544,900
TOTAL EXPENDITURES	9,211,800	9,791,400	8,224,900	8,594,800

The Office of Financial Institutions, pursuant to KRS Chapter 287, licenses and regulates banks, bank holding companies, trust companies, credit unions, savings and loan associations, consumer loan companies, industrial loan companies, mortgage loan companies, mortgage loan brokers, check cashing licensees, sale of check licensees, securities issuers, broker-dealers, agents and investment advisors. An Executive Director appointed by the Governor heads the Office. Formerly a department within the Cabinet for Public Protection, the agency was reorganized with the passage of Senate Bill 41 during the 2005 Regular Session of the General Assembly. It is now managed by the Department for Public Protection.

The Executive Director's Office is responsible for the overall management of the agency. The Ombudsman resolves complaints about Office licensees.

The Division of Administrative Services is comprised of three branches. The Technology branch maintains the computer network, the web sites and system upgrade planning. The Administrative Services Branch is charged with the administration of the fiscal functions including budgeting, purchasing, inventory control, training coordination, and facilities management. The Public Affairs branch coordinates all communications with the media, and handles the offices public relations efforts through coordination of educational seminars, brochures, and newsletters.

The Division of Securities carries out the registration, or exemption from registration, of securities issuances in the state. It registers broker-dealers, their agents, investment advisers, and investment adviser representatives, and conducts on-site examinations of these regulated entities. The Division investigates allegations of securities fraud or other illegal conduct of all securities entities.

The Division of Financial Institutions examines and licenses commercial banks, bank holding companies, loan production

offices, bank trust departments, independent trust companies, credit unions, savings and loan associations, consumer loan companies, industrial loan companies, mortgage loan companies, mortgage loan brokers, check cashing licensees and sale of check licensees.

Policy

Notwithstanding KRS 287.485, the Office of Financial Institutions shall transfer excess restricted funds of \$3,420,100 in fiscal year 2004-2005 and \$2,712,100 in fiscal year 2005-2006 to the General Fund.

Environmental and Public Protection Cabinet
Public Protection
Insurance

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	12,253,300	13,985,700		
Total General Fund	12,253,300	13,985,700		
Tobacco Settlement-Phase I				
Tobacco Settlement - I	17,555,100	17,725,000	16,782,600	16,751,700
Total Tobacco Settlement-Phase I	17,555,100	17,725,000	16,782,600	16,751,700
Restricted Funds				
Balance Forward	14,663,800	22,642,300	5,680,800	7,793,500
Current Receipts	28,816,700	29,947,200	26,192,500	27,323,000
Non-Revenue Receipts	4,354,600	4,563,100	2,157,400	2,971,000
Fund Transfers			-3,872,800	-11,340,300
Total Restricted Funds	47,835,100	57,152,600	30,157,900	26,747,200
Federal Funds				
Current Receipts			4,322,100	
Total Federal Funds			4,322,100	
TOTAL SOURCE OF FUNDS	77,643,500	88,863,300	51,262,600	43,498,900
EXPENDITURES BY CLASS				
Personnel Cost	51,595,800	54,878,900	40,103,600	37,118,700
Operating Expenses	3,405,400	3,480,000	3,365,500	3,440,100
TOTAL EXPENDITURES	55,001,200	58,358,900	43,469,100	40,558,800
EXPENDITURES BY FUND SOURCE				
General Fund	12,253,300	13,985,700		
Tobacco Settlement-Phase I	17,555,100	17,725,000	16,782,600	16,751,700
Restricted Funds	25,192,800	26,648,200	22,364,400	23,807,100
Federal Funds			4,322,100	
TOTAL EXPENDITURES	55,001,200	58,358,900	43,469,100	40,558,800
EXPENDITURES BY UNIT				
Office of the Executive Director	1,125,900	1,200,000	1,081,400	1,110,200
General Administration and Support	3,333,000	3,632,700	1,078,500	1,949,800
Property and Casualty	1,056,100	1,128,300	1,008,000	1,031,100
Life Insurance	891,000	949,600	861,800	882,900
Financial Standards and Examination	4,060,500	4,211,900	4,023,400	4,139,200
General Counsel	1,975,900	2,109,600	1,890,700	1,942,900
Agent Licensing	2,051,200	2,169,000	1,988,900	2,044,300
Consumer Protection	2,427,600	2,566,700	2,347,600	2,408,700
Insurance Fraud Investigation	1,362,900	1,450,900	1,312,000	1,338,400
Health Insurance Policy and Managed Care	2,583,300	2,733,100	2,492,600	2,557,500
Mine Subsidence Program	249,000	260,100	245,900	252,900
State Risk and Insurance Services	764,900	817,800	731,900	750,200
Ky Access Program	33,119,900	35,129,200	24,406,400	20,150,700
TOTAL EXPENDITURES	55,001,200	58,358,900	43,469,100	40,558,800

The Office of Insurance, pursuant to KRS Chapter 304, has the authority to license, supervise, and regulate insurance companies doing business in Kentucky. Formerly a department within the Cabinet for Public Protection, the agency was reorganized with the passage of Senate Bill 41 during the 2005 Regular Session of the General Assembly. It is now managed by the Department for Public Protection.

The Executive Director is responsible for the overall policy, planning, direction, and management of all divisions within the Office. It is the responsibility of the director to oversee the manner in which the business of insurance is conducted in Kentucky. The director is charged with protecting the public interest, promoting viable markets, and assuring fair treatment of insurance consumers.

The Property and Casualty Division regulates coverage and marketing practices of property and casualty insurers. Through its annual review of property and casualty insurance rate and form filings, the division ensures that companies comply with the standards set forth in the Kentucky Insurance Code. The Division is also responsible for reporting medical malpractice claims, recording of no-fault rejections (tort liability), and verifying such rejection. It is responsible for the regulation of surplus lines insurance.

The Health Insurance Policy and Managed Care Division regulates admitted insurance companies and HMOs. The Division approves policies, certificates, provider networks, quality improvement programs, and rate filings. It reviews promotional literature and activities for the protection of the public. The Division handles inquiries about Medicare and long-term care insurance.

The Life Insurance Division regulates insurance companies selling life and disability income products. It is responsible for conducting research on strategies related to financial services modernization. The Division reviews policies, certificates, and rate filings.

The Financial Standards and Examination Division protects consumers by ensuring the financial solvency of insurers authorized to do business in Kentucky. The Division is responsible for conducting financial examinations, financial analyses and providing administrative oversight of the insurance industry.

The Insurance Fraud Investigation Division is the Office's enforcement unit empowered to conduct criminal investigations of suspected fraudulent insurance acts. Insurance-related fraud may be committed by applicants for insurance, policyholders, third party claimants, agents, and providers of services who are paid by insurance.

The Agent Licensing Division makes certain that only knowledgeable and qualified insurance representatives sell insurance products to Kentucky consumers. The Division administers examinations, monitors continuing education courses, and licenses agents.

The Consumer Protection and Education Division is the main link between the Office and the citizens of the Commonwealth. The division also administers the emergency response program, which provides on-site assistance to citizens or communities affected by insured disasters within the Commonwealth. An ombudsman provides additional assistance to consumers. The Market Conduct unit of Consumer Protection observes and analyzes the business practices of insurers.

The State Risk and Insurance Services Division administers the State Fire and Tornado Insurance Fund pursuant to KRS 56.070 to 56.180. It provides self-insurance for the Commonwealth's state and university-owned real and personal property. The Division resembles an insurance company and has its own brokers and agents. It develops and maintains coverage forms, makes decisions where a particular submission should be insured, determines rates, issues certificates and endorsements, and collects premiums. The Division establishes the replacement value of all insured real property and adjusts, negotiates, and settles claims. Because all risks cannot be properly covered under the State Fire and Tornado Insurance Fund, the Division assists in the placement of various types of property and liability exposures through the commercial market. The Division provides assistance to property owners who have experienced property damage resulting from collapsed underground mines through the Mine Subsidence Fund.

Kentucky Access, Kentucky's high-risk health insurance pool, was created by the 2000 General Assembly. It is a statewide health plan that offers health insurance to Kentuckians who have sufficient disposable income to afford health insurance premiums, but cannot obtain individual health insurance in the private market. The Office of Insurance has the statutory responsibility to operate and administer the Kentucky Access program. The responsibility is met through a contractual relationship between the Office and a third party administrator.

The program is funded from three revenue sources: premiums paid by policyholders, assessments of all health insurance carriers in the state, and an appropriation of the state's Master Settlement Agreement proceeds (Phase I Tobacco funds) from the Kentucky Health Care Improvement Fund.

Policy

Notwithstanding KRS 304.2-300, KRS 304.2-400, and KRS 304.2-440, the Office of Insurance shall transfer restricted funds of \$3,872,800 in fiscal year 2004-2005, and \$11,340,300 in fiscal year 2005-2006 to the General Fund.

Notwithstanding KRS 304.17B-003 and KRS 304.17B-021, the Office of Insurance shall transfer \$9,932,900 in fiscal year 2004-2005 and \$10,287,900 in fiscal year 2005-2006 from the Kentucky Access program to the General Fund.

Notwithstanding KRS 56.180, the Office of Insurance shall transfer \$500,000 in each year of the biennium from the Fire and Tornado Insurance Fund to the General Fund.

The Budget of the Commonwealth provides that notwithstanding KRS 304.17B-021, during the 2004-2006 biennium, the Secretary of the Environmental and Public Protection Cabinet may seek authorization from the State Budget Director to reallocate any excess unbudgeted operating funds generated by the Office of Insurance to Kentucky Access. Any such funding reallocations that are approved by the State Budget Director shall be reported to the Interim Joint Committee on Appropriations and Revenue consistent with the provisions of the appropriations bill.

**Environmental and Public Protection Cabinet
Public Protection
Horse Racing Authority**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	522,800	522,800	509,700	509,700
Total General Fund	522,800	522,800	509,700	509,700
Restricted Funds				
Balance Forward	3,947,800	3,484,200	2,945,700	1,840,100
Current Receipts	3,713,600	3,731,800	3,713,600	3,731,800
Non-Revenue Receipts	9,232,500	9,263,600	9,232,500	9,263,600
Fund Transfers			-49,600	
Total Restricted Funds	16,893,900	16,479,600	15,842,200	14,835,500
TOTAL SOURCE OF FUNDS	17,416,700	17,002,400	16,351,900	15,345,200
EXPENDITURES BY CLASS				
Personnel Cost	1,935,500	2,063,100	2,034,300	2,080,000
Operating Expenses	907,600	920,300	907,600	920,300
Grants, Loans or Benefits	11,089,400	10,820,800	11,569,900	10,684,200
TOTAL EXPENDITURES	13,932,500	13,804,200	14,511,800	13,684,500
EXPENDITURES BY FUND SOURCE				
General Fund	522,800	522,800	509,700	509,700
Restricted Funds	13,409,700	13,281,400	14,002,100	13,174,800
TOTAL EXPENDITURES	13,932,500	13,804,200	14,511,800	13,684,500
EXPENDITURES BY UNIT				
Administration and Regulation	2,713,600	2,849,400	2,812,400	2,866,300
Equine Drug Research Fund	650,500	650,500	1,083,000	650,500
Thoroughbred Development Fund	8,600,000	8,322,700	8,325,700	8,186,100
Standardbred Development Fund	666,800	666,800	666,800	666,800
Standardbred Horsemen Fees	700,000	700,000	700,000	700,000
County Fair Purse Fund	161,800	166,700	270,300	166,700
Thoroughbred Breeders	274,400	282,700	276,300	282,700
Backside Improvement Comm	165,400	165,400	377,300	165,400
TOTAL EXPENDITURES	13,932,500	13,804,200	14,511,800	13,684,500

The Kentucky Horse Racing Authority, pursuant to KRS Chapter 230, is responsible for the regulation of thoroughbred and harness horse racing and the fostering of thoroughbred and harness horse breeding within the Commonwealth. The Authority has the responsibility to prescribe rules, regulations, and conditions under which all thoroughbred, harness horse, quarter horse, Appaloosa, and Arabian racing and wagering may be conducted in the Commonwealth.

Senate Bill 156, enacted by the 2004 Regular Session of the General Assembly, abolished the Kentucky Racing Commission and created the Kentucky Horse Racing Authority. The reconstituted agency's mission was substantially broadened to include increasing Kentucky's signature industry's economic contribution to the state. The Authority's charge is to:

- Advance horse industry-related economic growth;
- Strengthen ties between Kentucky's universities and the horse industry;
- Ensure that Kentucky remains on the cutting-edge of equine research; and
- Promote Kentucky's horse and tourism industry.

The Authority is an independent agency that is attached to the Department for Public Protection for administrative purposes only.

Administration and Regulation of Racing is the administrative and oversight body of the Authority. The Division of Racing and Security oversees the state veterinarians and support staff. The security function supervises drug testing and interdiction on the track's backside. The Division of Licensing is responsible for licensing all individuals who participate in thoroughbred and harness racing.

The Equine Drug Research Council advises the Authority on research programs. One-tenth of one percent of the thoroughbred pari-mutuel handle supports the Council. Funds are used to support drug research and testing.

The Thoroughbred Development Fund was created in 1978 to encourage breeders from other states to send their breeding stock to Kentucky to improve the caliber of breeding and racing stock in the Commonwealth. The program is funded by three-fourths of one percent of the total pari-mutuel handle.

The Standardbred Development Fund supports efforts to attract breeders from other states to send their breeding stock to Kentucky, to increase the number of owners in Kentucky, and to increase the number of horses bred in Kentucky. One percent of the pari-mutuel handle from the harness horse racing tracks is deposited in a revolving fund account for the Standardbred Development Fund.

The County Fair Purse Fund receives funding from uncashed pari-mutuel harness racing tickets and redistributes the funds in the form of purse supplements to county fairs.

The Backside Improvement Commission is charged with promoting, enhancing, and improving of the backsides of Turfway and Ellis Parks. Racing associations with an average handle of \$1,200,000 or less per racing day are required to pay one-half of one percent to the Fund. Racing associations with an average handle of \$1,200,000 or more per racing day are required to pay three and one-half percent to the Fund.

The Thoroughbred Owners and Breeders Fund receives 6 percent of the commissions at simulcast facilities to fund capital improvements and promote off-track betting. It also supports marketing and promotion of the Kentucky thoroughbred industry.

Environmental and Public Protection Cabinet
Public Protection
Housing, Buildings and Construction

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,814,000	2,936,400	2,094,100	2,114,700
Total General Fund	2,814,000	2,936,400	2,094,100	2,114,700
Restricted Funds				
Balance Forward	6,074,600	6,162,400	4,494,500	3,329,200
Current Receipts	13,910,300	13,986,500	12,952,300	13,396,700
Non-Revenue Receipts	-68,600	-83,700	-68,600	-83,700
Fund Transfers			-90,000	
Total Restricted Funds	19,916,300	20,065,200	17,288,200	16,642,200
Federal Funds				
Current Receipts			39,300	
Total Federal Funds			39,300	
TOTAL SOURCE OF FUNDS	22,730,300	23,001,600	19,421,600	18,756,900
EXPENDITURES BY CLASS				
Personnel Cost	13,448,000	14,547,700	12,782,000	14,092,300
Operating Expenses	3,107,900	3,107,400	3,123,400	2,956,100
Capital Outlay	12,000	12,000	12,000	12,000
Construction			175,000	
TOTAL EXPENDITURES	16,567,900	17,667,100	16,092,400	17,060,400
EXPENDITURES BY FUND SOURCE				
General Fund	2,814,000	2,936,400	2,094,100	2,114,700
Restricted Funds	13,753,900	14,730,700	13,959,000	14,945,700
Federal Funds			39,300	
TOTAL EXPENDITURES	16,567,900	17,667,100	16,092,400	17,060,400
EXPENDITURES BY UNIT				
General Administration and Management	1,608,500	1,730,900	888,600	1,120,000
Regulation of Minimum Safety Standards/Fire Prev	6,719,900	7,148,600	5,903,500	6,437,200
Plumbing	4,755,400	5,074,600	4,988,200	5,090,000
HVACC	915,900	971,600	1,427,000	1,322,600
Building Codes Enforcement	2,568,200	2,741,400	2,885,100	3,090,600
TOTAL EXPENDITURES	16,567,900	17,667,100	16,092,400	17,060,400

The Office of Housing, Buildings, and Construction, pursuant to under KRS Chapter 198B, regulates all construction of buildings through enforcement of building and fire codes, including: elevators, boilers, manufactured housing, hazardous materials, electrical and plumbing installation. The agency enforces a uniform building code for the Commonwealth with an effective building inspection program that prevents fire and life-safety hazards. Formerly a department within the Cabinet for Public Protection, the agency was reorganized with the passage of Senate Bill 41 during the 2005 Regular Session of the General Assembly. It is now managed by the Department for Public Protection.

The Regulation of Minimum Safety Standards program enforces life safety codes and state and federal laws and regulations by performing property inspections, reviewing plans for remodeled or improved property, regulating the use and storage of hazardous materials, and responding to related emergencies. The program includes inspection and plan review of boilers, pressure piping, and elevators; monitoring the construction and sales of mobile homes and recreational vehicles; and the testing and licensing of electrical inspectors, boiler contractors, underground petroleum storage tank contractors, and sprinkler system contractors.

The Plumbing Division, a fee-supported program, enforces the State Plumbing Law. Activities include inspection of plumbing systems in all buildings throughout the state, approval of plans in all types of public buildings, renewal of master and journeyman plumbers' licenses, assistance to the State Plumbing Code Committee in its review of the plumbing code regulations, and review and approval of new materials and techniques.

The Heating, Ventilation, and Air Conditioning (HVAC) program is responsible for the annual licensing and oversight of the activities of heating, ventilation, and air conditioning contractors, mechanics, and apprentices. The HVAC Board reviews HVAC codes and regulations governing the testing of candidates for licensure. The program oversees the continuing education for HVAC Master and Journeyman.

The Building Codes Enforcement program provides overall coordination and enforcement of the Kentucky Uniform Building Code and provides inspection, plan review, and technical services to the building community. The program is funded primarily from plan review fees.

Policy

The Budget of the Commonwealth provides Restricted Funds of \$1.7 million in each fiscal year of the biennium to support 51 new positions which include 11 plan reviewers, 10 building inspectors, 20 plumbing inspectors and 10 heating, ventilation and cooling inspectors.

Notwithstanding KRS 318.136, Housing, Buildings and Construction shall transfer \$90,100 in fiscal year 2004-2005 to the General Fund.

**Environmental and Public Protection Cabinet
Public Protection
Public Service Commission**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	11,173,600	11,815,000	11,154,100	11,409,800
Continuing Appropriation	2,326,300	2,276,300	1,807,300	
Total General Fund	13,499,900	14,091,300	12,961,400	11,409,800
Restricted Funds				
Balance Forward	163,100	163,100	267,000	163,100
Current Receipts	1,024,000	1,024,000	1,024,000	1,024,000
Fund Transfers			-103,900	
Total Restricted Funds	1,187,100	1,187,100	1,187,100	1,187,100
Federal Funds				
Balance Forward	316,400	316,400	316,400	316,400
Current Receipts	261,800	282,200	249,600	257,300
Total Federal Funds	578,200	598,600	566,000	573,700
TOTAL SOURCE OF FUNDS	15,265,200	15,877,000	14,714,500	13,170,600
EXPENDITURES BY CLASS				
Personnel Cost	9,241,600	9,905,300	9,169,700	9,438,300
Operating Expenses	2,663,200	2,670,100	2,650,600	2,645,400
Debt Service	589,000	589,000	589,000	589,000
Capital Outlay	18,400	18,400	18,400	18,400
TOTAL EXPENDITURES	12,512,200	13,182,800	12,427,700	12,691,100
EXPENDITURES BY FUND SOURCE				
General Fund	11,223,600	11,865,000	11,154,100	11,409,800
Restricted Funds	1,024,000	1,024,000	1,024,000	1,024,000
Federal Funds	261,800	282,200	249,600	257,300
TOTAL EXPENDITURES	12,509,400	13,171,200	12,427,700	12,691,100
EXPENDITURES BY UNIT				
Executive Director	5,770,700	5,975,900	5,933,700	5,880,000
Financial Analysis	2,089,600	2,252,200	1,930,100	1,980,100
Engineering	1,628,700	1,745,800	1,654,700	1,780,300
Division of Filings	1,947,500	2,055,200	1,913,600	2,035,800
Consumer Services	549,100	577,700	496,300	500,300
Gas Pipeline Safety	523,800	564,400	499,300	514,600
TOTAL EXPENDITURES	12,509,400	13,171,200	12,427,700	12,691,100

The Public Service Commission, pursuant to KRS Chapter 278, regulates the intrastate rates and services of over 500 investor-owned electric, natural gas, telephone, water and sewage utilities, rural electric and telephone cooperatives, and water districts. The three-member Commission performs its regulatory functions through written orders following adjudicative and rulemaking procedures outlined in statute. Formerly the Commission was administratively attached to the Cabinet for Public Protection; the agency was reorganized with the passage of Senate Bill 41 during the 2005 Regular Session of the General Assembly. It is now an independent agency attached to the Department for Public Protection for administrative purposes only.

The Commission's goal is to ensure that every utility charges fair, just, and reasonable rates for the services rendered and that those services are adequate and efficient.

The agency is funded by an assessment of all utilities under the Commission's jurisdiction based on the annual gross intrastate revenues.

The Commission staff is organized into the Divisions of Consumer Services, Filings, Engineering, Financial Analysis and Gas Pipeline Safety.

Policy

Notwithstanding KRS 278.150(3), \$1,807,300 in fiscal year 2004-2005 shall lapse to the credit of the General Fund. In fiscal year 2004-2005, Restricted Funds in the amount of \$103,900 shall be transferred to the credit of the General Fund. The millage rate will be established based on the regular appropriation for the agency.

**Environmental and Public Protection Cabinet
Public Protection
Tax Appeals**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	509,900	541,800	486,100	486,100
Total General Fund	<u>509,900</u>	<u>541,800</u>	<u>486,100</u>	<u>486,100</u>
TOTAL SOURCE OF FUNDS	509,900	541,800	486,100	486,100
EXPENDITURES BY CLASS				
Personnel Cost	448,800	480,700	437,500	437,500
Operating Expenses	61,100	61,100	48,600	48,600
TOTAL EXPENDITURES	<u>509,900</u>	<u>541,800</u>	<u>486,100</u>	<u>486,100</u>
EXPENDITURES BY FUND SOURCE				
General Fund	509,900	541,800	486,100	486,100
TOTAL EXPENDITURES	<u>509,900</u>	<u>541,800</u>	<u>486,100</u>	<u>486,100</u>

The Board of Tax Appeals, pursuant to KRS Chapter 131, is an independent administrative review agency with exclusive jurisdiction to hear and resolve appeals arising from final rulings, orders, and determinations of any agency of state or county government relating to revenue and taxation.

The Board consists of three members appointed by the Governor for staggered four-year terms. One member is designated by the Governor as chairman.

Formerly administratively attached to the Cabinet for Public Protection, the agency was reorganized with the passage of Senate Bill 41 during the 2005 Regular Session of the General Assembly. The Board is an independent agency that is attached to the Department for Public Protection for administrative purposes only.

Environmental and Public Protection Cabinet
Public Protection
Charitable Gaming

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	1,192,900	839,200	2,279,400	1,791,000
Current Receipts	3,310,000	3,310,100	3,310,000	3,310,100
Non-Revenue Receipts			-130,600	-193,900
Fund Transfers			-191,200	
Total Restricted Funds	4,502,900	4,149,300	5,267,600	4,907,200
TOTAL SOURCE OF FUNDS	4,502,900	4,149,300	5,267,600	4,907,200
EXPENDITURES BY CLASS				
Personnel Cost	2,971,000	3,210,900	2,793,300	2,786,800
Operating Expenses	686,700	686,700	677,300	677,300
Grants, Loans or Benefits	6,000	6,000	6,000	6,000
TOTAL EXPENDITURES	3,663,700	3,903,600	3,476,600	3,470,100
EXPENDITURES BY FUND SOURCE				
Restricted Funds	3,663,700	3,903,600	3,476,600	3,470,100
TOTAL EXPENDITURES	3,663,700	3,903,600	3,476,600	3,470,100

The Office for Charitable Gaming, pursuant to KRS Chapter 238, is charged with the licensure and regulation of charitable organizations conducting gaming in the Commonwealth. The agency performs inspections, issues licenses, and conducts audits of charitable gaming establishments. Formerly a department within the Cabinet for Public Protection, the agency was reorganized with the passage of Senate Bill 41 during the 2005 Regular Session of the General Assembly. It is now managed by the Department for Public Protection.

Policy

The Budget of the Commonwealth continues the Charitable Gaming Gross Receipts fee at a level of .53 percent through the biennium.

**Environmental and Public Protection Cabinet
Public Protection
Boxing and Wrestling Authority**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward			13,500	
Current Receipts	129,700	129,700	100,000	100,000
Fund Transfers			-4,200	
Total Restricted Funds	129,700	129,700	109,300	100,000
TOTAL SOURCE OF FUNDS	129,700	129,700	109,300	100,000
EXPENDITURES BY CLASS				
Personnel Cost	92,600	92,600	72,200	62,900
Operating Expenses	37,100	37,100	37,100	37,100
TOTAL EXPENDITURES	129,700	129,700	109,300	100,000
EXPENDITURES BY FUND SOURCE				
Restricted Funds	129,700	129,700	109,300	100,000
TOTAL EXPENDITURES	129,700	129,700	109,300	100,000

The Boxing and Wrestling Authority, pursuant to KRS Chapter 229, is sole authority over professional boxing and wrestling in Kentucky. Senate Bill 66, enacted by the 2005 Regular Session of the Kentucky General Assembly, abolished the Athletic Commission, replacing it with the five-member Authority to direct, manage and control all professional boxing, sparring and wrestling matches or exhibitions. Moreover, the authority has jurisdiction over all licenses to hold boxing, sparring or wrestling matches or exhibitions for prizes or purses or where an admission fee is received and over all licenses and all persons who participate in the boxing, sparring or wrestling matches or exhibitions. The Authority licenses contestants, wrestlers or boxers, judges, managers, physicians, referees, timekeepers and trainers. The Authority is an independent agency that is attached to the Department for Public Protection within the Environmental and Public Protection Cabinet for administrative purposes only.

Environmental and Public Protection Cabinet

Labor

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,278,700	2,380,700	2,349,100	2,349,100
Total General Fund	2,278,700	2,380,700	2,349,100	2,349,100
Restricted Funds				
Balance Forward	4,000,000	4,000,000	4,000,000	4,000,000
Current Receipts	2,000,000	1,800,000	2,200,000	1,800,000
Non-Revenue Receipts	109,524,900	108,236,200	124,975,200	123,135,300
Total Restricted Funds	115,524,900	114,036,200	131,175,200	128,935,300
Federal Funds				
Current Receipts	3,379,700	3,379,700	3,233,100	3,233,100
Total Federal Funds	3,379,700	3,379,700	3,233,100	3,233,100
TOTAL SOURCE OF FUNDS	121,183,300	119,796,600	136,757,400	134,517,500
EXPENDITURES BY CLASS				
Personnel Cost	11,034,300	11,884,200	22,278,000	23,002,900
Operating Expenses	3,631,500	3,539,400	7,771,800	6,964,400
Grants, Loans or Benefits	102,390,000	100,240,000	102,366,000	100,200,000
Capital Outlay	127,500	133,000	341,600	350,200
TOTAL EXPENDITURES	117,183,300	115,796,600	132,757,400	130,517,500
EXPENDITURES BY FUND SOURCE				
General Fund	2,278,700	2,380,700	2,349,100	2,349,100
Restricted Funds	111,524,900	110,036,200	127,175,200	124,935,300
Federal Funds	3,379,700	3,379,700	3,233,100	3,233,100
TOTAL EXPENDITURES	117,183,300	115,796,600	132,757,400	130,517,500
EXPENDITURES BY UNIT				
Labor Commissioner			3,895,900	4,241,700
Workplace Standards	107,393,200	105,503,100	107,193,900	104,893,000
Occupational Safety and Health	9,790,100	10,293,500	8,576,000	8,761,900
Workers Claims			13,091,600	12,620,900
TOTAL EXPENDITURES	117,183,300	115,796,600	132,757,400	130,517,500

The Department of Labor consists of the Office of the Commissioner, the Office of Labor Management Relations and Mediation, the Office of Workplace Standards and the Division of Administrative Services.

Attached administratively to the Department of Labor are the Kentucky Labor Management Council, the Kentucky Employees Insurance Association, the State Labor Relations Board, the Workers' Compensation Funding Commission, the Workers' Compensation Advisory Council, the Occupational Safety and Health Standards Board, the Prevailing Wage Review Board, the Apprenticeship and Training Council, the Employees Mutual Insurance Authority, the Workers Compensation Nominating Commission and the Office of Workers Claims.

Policy

During the 2005 Session of the General Assembly, Senate Bill 41, Section 33, established the reorganized Department of Labor within the Environmental and Public Protection Cabinet and re-established the Workers Compensation Board attached administratively to the Office of the Secretary of the Environmental and Public Protection Cabinet.

**Environmental and Public Protection Cabinet
Labor
Labor Commissioner**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
Restricted Funds				
Non-Revenue Receipts			3,895,900	4,241,700
Total Restricted Funds			3,895,900	4,241,700
TOTAL SOURCE OF FUNDS			3,895,900	4,241,700
EXPENDITURES BY CLASS				
Personnel Cost			2,795,900	3,128,200
Operating Expenses			1,000,000	1,008,300
Capital Outlay			100,000	105,200
TOTAL EXPENDITURES			3,895,900	4,241,700
EXPENDITURES BY FUND SOURCE				
Restricted Funds			3,895,900	4,241,700
TOTAL EXPENDITURES			3,895,900	4,241,700

The organizational units under the direction of the Commissioner of Labor are the Office of the Commissioner, the Office of Workplace Standards, the Office of Labor Management Relations and Mediation and the Division of Administrative Services. The Commissioner of Labor also oversees administrative duties of the Office of Workers Claims, with the Executive Director of the Office of Workers Claims being responsible for the daily programmatic activities. The Kentucky Occupational Safety and Health (KOSH) Review Commission is an independent agency administered by an executive director.

Environmental and Public Protection Cabinet
Labor
Workplace Standards

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,278,700	2,380,700	2,349,100	2,349,100
Total General Fund	2,278,700	2,380,700	2,349,100	2,349,100
Restricted Funds				
Balance Forward	4,000,000	4,000,000	4,000,000	4,000,000
Current Receipts	2,000,000	1,800,000	2,200,000	1,800,000
Non-Revenue Receipts	103,114,500	101,322,400	102,644,800	100,743,900
Total Restricted Funds	109,114,500	107,122,400	108,844,800	106,543,900
TOTAL SOURCE OF FUNDS	111,393,200	109,503,100	111,193,900	108,893,000
EXPENDITURES BY CLASS				
Personnel Cost	4,131,400	4,459,500	3,655,200	3,995,500
Operating Expenses	1,111,800	1,043,600	1,388,700	897,500
Grants, Loans or Benefits	102,150,000	100,000,000	102,150,000	100,000,000
TOTAL EXPENDITURES	107,393,200	105,503,100	107,193,900	104,893,000
EXPENDITURES BY FUND SOURCE				
General Fund	2,278,700	2,380,700	2,349,100	2,349,100
Restricted Funds	105,114,500	103,122,400	104,844,800	102,543,900
TOTAL EXPENDITURES	107,393,200	105,503,100	107,193,900	104,893,000
EXPENDITURES BY UNIT				
Executive Director	260,100	241,300		237,600
Employment Standards	2,278,700	2,380,700	2,549,100	1,835,000
Workers Compensation Funds	104,854,400	102,881,100	104,644,800	102,425,100
Labor Management Relations				395,300
TOTAL EXPENDITURES	107,393,200	105,503,100	107,193,900	104,893,000

The Office of Workplace Standards consists of the Division of Employment Standards, Apprenticeship and Training and the Division of Workers' Compensation Funds.

Policy

During the 2005 Session of the General Assembly, Senate Bill 41, Section 33, established the reorganized Office of Workplace Standards within the Department of Labor and the Environmental and Public Protection Cabinet.

**Environmental and Public Protection Cabinet
Labor
Occupational Safety and Health**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
Restricted Funds				
Non-Revenue Receipts	6,410,400	6,913,800	5,342,900	5,528,800
Total Restricted Funds	6,410,400	6,913,800	5,342,900	5,528,800
Federal Funds				
Current Receipts	3,379,700	3,379,700	3,233,100	3,233,100
Total Federal Funds	3,379,700	3,379,700	3,233,100	3,233,100
TOTAL SOURCE OF FUNDS	9,790,100	10,293,500	8,576,000	8,761,900
EXPENDITURES BY CLASS				
Personnel Cost	6,902,900	7,424,700	5,873,300	6,142,700
Operating Expenses	2,519,700	2,495,800	2,359,200	2,286,200
Grants, Loans or Benefits	240,000	240,000	216,000	200,000
Capital Outlay	127,500	133,000	127,500	133,000
TOTAL EXPENDITURES	9,790,100	10,293,500	8,576,000	8,761,900
EXPENDITURES BY FUND SOURCE				
Restricted Funds	6,410,400	6,913,800	5,342,900	5,528,800
Federal Funds	3,379,700	3,379,700	3,233,100	3,233,100
TOTAL EXPENDITURES	9,790,100	10,293,500	8,576,000	8,761,900
EXPENDITURES BY UNIT				
Executive Director				250,000
Compliance	4,777,000	5,031,200	4,207,100	4,176,200
Education and Training	5,013,100	5,262,300	4,368,900	4,335,700
TOTAL EXPENDITURES	9,790,100	10,293,500	8,576,000	8,761,900

The Office of Occupational Safety and Health consists of the Division of Compliance and the Division of Education and Training.

Policy

During the 2005 Session of the General Assembly, Senate Bill 41, Section 33, establishes the reorganized Office of Occupational Safety and Health within the Department of Labor and the Environmental and Public Protection Cabinet.

Environmental and Public Protection Cabinet
Labor
Workers Claims

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
Restricted Funds				
Non-Revenue Receipts			13,091,600	12,620,900
Total Restricted Funds			<u>13,091,600</u>	<u>12,620,900</u>
TOTAL SOURCE OF FUNDS			13,091,600	12,620,900
EXPENDITURES BY CLASS				
Personnel Cost			9,953,600	9,736,500
Operating Expenses			3,023,900	2,772,400
Capital Outlay			114,100	112,000
TOTAL EXPENDITURES			<u>13,091,600</u>	<u>12,620,900</u>
EXPENDITURES BY FUND SOURCE				
Restricted Funds			13,091,600	12,620,900
TOTAL EXPENDITURES			<u>13,091,600</u>	<u>12,620,900</u>

The Commonwealth of Kentucky adopted a Workers' Compensation Act in 1916 under which employees were granted replacement income and medical services for disability arising from on-the-job accidents. In exchange, employers were afforded immunity from common lawsuits.

Since then, Kentucky's Workers' Compensation Program has undergone incremental changes generally marked by expansion of coverage to include additional work-related conditions (i.e., occupational diseases) and increases in the amount of benefits granted workers. Reforms were adopted during the 1994 Regular Session of the General Assembly with the passage of House Bill 928. Before 1994, the main function of the department was to adjudicate disputes between employers and employees about entitlement to benefits. As a result of the 1994 statutory changes, the means of delivering industrial health care was altered, and efforts began to limit the expansion of benefits and the administrative and adjudicative arms of the program were strengthened.

House Bill 1, passed by the 1996 Extraordinary Session of the General Assembly, significantly expanded the reform of the workers' compensation program. Adopted on December 12, 1996, this legislation emphasized administrative resolution of benefit disputes rather than adjudicative claims processing. The law also represented a marked shift toward more fiscal responsibility in the workers' compensation program and was intended to roll back the estimated cost of \$1 billion paid each year by the Commonwealth's employers to sustain the program. Through this reform legislation, the program is being restored to its core purpose of promptly delivering wage replacement benefits and medical services to industrially injured workers in a nonadversarial manner.

Funding for Workers Claims is provided by the Kentucky Workers' Compensation Funding Commission's special assessments imposed upon workers' compensation premiums paid by employers and self-insureds.

Policy

During the 2005 Session of the General Assembly, Senate Bill 41, Section 33, established the reorganized Office of Workers Claims including the Division of Claims Processing and Appeals, Information, Research, Security and Compliance and the Division of Ombudsman and Special Services attached administratively to the Department of Labor within the Environmental and Public Protection Cabinet.

**Environmental and Public Protection Cabinet
Ky Occupational Safety and Health Review Commission**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
Restricted Funds				
Non-Revenue Receipts	637,100	613,100	479,300	447,500
Total Restricted Funds	<u>637,100</u>	<u>613,100</u>	<u>479,300</u>	<u>447,500</u>
TOTAL SOURCE OF FUNDS	637,100	613,100	479,300	447,500
EXPENDITURES BY CLASS				
Personnel Cost	593,700	549,300	438,800	393,700
Operating Expenses	43,400	63,800	40,500	53,800
TOTAL EXPENDITURES	<u>637,100</u>	<u>613,100</u>	<u>479,300</u>	<u>447,500</u>
EXPENDITURES BY FUND SOURCE				
Restricted Funds	637,100	613,100	479,300	447,500
TOTAL EXPENDITURES	<u>637,100</u>	<u>613,100</u>	<u>479,300</u>	<u>447,500</u>

The Kentucky Occupational Safety and Health Review Commission is an independent quasi-judicial administrative agency which hears and rules on appeals of citations issued by the Division of Occupational Safety and Health Compliance in the Labor Department.

The Review Commission receives and processes over 200 cases per year and holds hearings are held throughout the state. Written findings of fact, conclusions of law, and the recommended decisions issued by the hearing officers may be appealed to the Commission and then to Franklin Circuit Court.

Funding for the Commission consists of restricted agency funds provided by assessments of the Workers Compensation Funding Commission.

Policy

During the 2005 Session of the General Assembly, Senate Bill 41, Section 1, established the Kentucky Occupational Safety and Health Review Commission within the Environmental and Public Protection Cabinet and attached it administratively to the Office of the Secretary.

**Environmental and Public Protection Cabinet
Workers' Compensation Board**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
Restricted Funds				
Current Receipts			900,000	922,200
Total Restricted Funds			<u>900,000</u>	<u>922,200</u>
TOTAL SOURCE OF FUNDS			900,000	922,200
EXPENDITURES BY CLASS				
Personnel Cost			750,700	772,900
Operating Expenses			149,300	149,300
TOTAL EXPENDITURES			<u>900,000</u>	<u>922,200</u>
EXPENDITURES BY FUND SOURCE				
Restricted Funds			900,000	922,200
TOTAL EXPENDITURES			<u>900,000</u>	<u>922,200</u>

The Kentucky Workers Compensation Board rules on appeals of decisions rendered by administrative law judges in the Kentucky Workers Claims and Compensation system. The board consists of three members appointed by the Governor to four year terms. These members must possess the qualifications of appeals court justices and are held to those same professional ethical standards of behavior and compensation. A decision from two of the three board members constitutes a decision of the board.

Policy

During the 2005 Session of the General Assembly, the Kentucky Workers Compensation Board was re-established in Section 1 of Senate Bill 41. The board is attached administratively to the Office of the Secretary of the Environmental and Public Protection Cabinet.

**Environmental and Public Protection Cabinet
Workers' Compensation Funding Commission**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	19,000,000	19,000,000		
Total General Fund	19,000,000	19,000,000		
Restricted Funds				
Balance Forward	10,623,500	7,993,100	10,623,500	7,686,900
Current Receipts	132,840,000	126,932,000	134,040,000	128,132,000
Non-Revenue Receipts	4,915,600	11,494,200	-20,800	4,500,000
Total Restricted Funds	148,379,100	146,419,300	144,642,700	140,318,900
TOTAL SOURCE OF FUNDS	167,379,100	165,419,300	144,642,700	140,318,900
EXPENDITURES BY CLASS				
Personnel Cost	1,450,800	1,663,500	1,257,900	1,391,300
Operating Expenses	157,935,200	157,893,400	135,697,900	133,215,900
TOTAL EXPENDITURES	159,386,000	159,556,900	136,955,800	134,607,200
EXPENDITURES BY FUND SOURCE				
General Fund	19,000,000	19,000,000		
Restricted Funds	140,386,000	140,556,900	136,955,800	134,607,200
TOTAL EXPENDITURES	159,386,000	159,556,900	136,955,800	134,607,200
EXPENDITURES BY UNIT				
Workers' Compensation Funding Commission	1,807,600	2,036,000	1,585,200	1,732,000
Benefit Reserve	151,056,700	149,969,500	128,865,300	125,350,400
KCWP Fund	6,521,700	7,551,400	6,505,300	7,524,800
TOTAL EXPENDITURES	159,386,000	159,556,900	136,955,800	134,607,200

The Workers' Compensation Funding Commission was created through the passage of House Bill 1 by the 1987 Extraordinary Session of the General Assembly. House Bill 928, passed by the 1994 General Assembly, transferred the Commission to the Labor Cabinet for administrative purposes. The agency has the public purpose of controlling, investing, and managing the funds collected pursuant to KRS Chapter 342.

The Commission collects two separate assessments as required by KRS Chapter 342. One assessment is imposed on Kentucky workers' compensation premiums received by all insurance carriers and group self-insurers, and on a calculation-based premium equivalent for employers carrying their own risk. A second assessment is imposed on such premiums received from employers engaged in the severance or processing of coal. In addition to these assessments, House Bill 1 of the 1996 Extraordinary Session also mandates that beginning with fiscal year 1998 and all fiscal years thereafter, the Revenue Cabinet credit \$19 million in coal severance tax revenues levied under KRS 143.020 to the Benefit Reserve Fund within the Commission. These funds, coupled with the two assessments, are to be used: to fund and pre-fund the liabilities of the Special Fund and the Coal Workers' Pneumoconiosis Fund; finance the administration and operations of the Special Fund and the Coal Workers' Pneumoconiosis Fund; finance the administration and operations of the Funding Commission; finance all programs in the Labor Cabinet except the Division of Employment Standards and Mediation and the Office of Labor-Management Relations; and pay the liabilities and fund the operating budget for the Uninsured Employers' Fund in the Office of the Attorney General.

These assessments are credited to the Commission's Benefit Reserve Fund and the excess of collections over Special Fund liabilities, the Coal Workers' Pneumoconiosis Fund liabilities and budgeted expenditures are invested according to the Commission's policies and in compliance with KRS Chapter 386. The agency may perform or contract for audits of those

entities subject to assessments, and may coordinate with other governmental agencies to ensure compliance with the statutes relating to workers' compensation funding.

The Board is required to engage a certified public accountant to conduct an annual examination of the Commission's affairs and report the findings to the Governor and the Auditor of Public Accounts.

Included in the operating expenses are the fund transfers which represent the amounts the Commission will transfer to the Labor Cabinet and the Uninsured Employers' Fund for those programs statutorily supported by assessments.

The Commission maintains a diverse financial long term investment portfolio and has an agreement with the Office of Financial Management, within the Finance and Administration Cabinet, for short-term overnight investment advantages.

Policy

During the 2005 Session of the General Assembly, Senate Bill 41, Section 33, established the Kentucky Workers' Compensation Funding Commission within the Environmental and Public Protection Cabinet, attached administratively to the Department of Labor.

Notwithstanding KRS 342.122(1)(c), \$19,000,000 from the General Fund will not be appropriated to the Funding Commission in either year of the 2004-2006 biennium.

**Environmental and Public Protection Cabinet
Mine Safety Review Commission**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	267,400	274,500	230,500	230,500
Total General Fund	267,400	274,500	230,500	230,500
Restricted Funds				
Balance Forward	500	500	500	
Total Restricted Funds	500	500	500	
TOTAL SOURCE OF FUNDS	267,900	275,000	231,000	230,500
EXPENDITURES BY CLASS				
Personnel Cost	212,400	219,500	176,000	175,500
Operating Expenses	55,000	55,000	55,000	55,000
TOTAL EXPENDITURES	267,400	274,500	231,000	230,500
EXPENDITURES BY FUND SOURCE				
General Fund	267,400	274,500	230,500	230,500
Restricted Funds			500	
TOTAL EXPENDITURES	267,400	274,500	231,000	230,500

The Mine Safety Review Commission, pursuant to KRS Chapter 351, protects the health and safety of coal miners by insuring the enforcement of mine safety regulations. Its three members, appointed by the governor, conduct hearings on safety violations and impose penalties for serious violations. The Commission has the power to revoke or suspend a mine's license or an individual miner's certification and fine certified miners up to the equivalent of wages for ten working days for their first offense.

Formerly the Commission was administratively attached to the Cabinet for Public Protection, Office of the Secretary. The agency was reorganized with the passage of Senate Bill 41 during the 2005 Regular Session of the General Assembly. It is now an independent agency attached to the Cabinet for Environmental and Public Protection, Office of the Secretary, for administrative purposes only.

Finance and Administration Cabinet

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	441,829,600	460,263,200	384,509,500	417,594,600
Total General Fund	441,829,600	460,263,200	384,509,500	417,594,600
Tobacco Settlement-Phase I				
Tobacco Settlement - I	10,388,200	10,380,400	6,291,600	15,488,200
Total Tobacco Settlement-Phase I	10,388,200	10,380,400	6,291,600	15,488,200
Restricted Funds				
Balance Forward	13,999,100	10,454,700	14,588,000	11,486,100
Current Receipts	105,701,900	110,035,500	101,797,600	102,528,700
Non-Revenue Receipts	196,300	224,400	-25,600	-25,600
Fund Transfers			-215,300	
Total Restricted Funds	119,897,300	120,714,600	116,144,700	113,989,200
Federal Funds				
Current Receipts	4,021,800	2,878,300	4,021,800	2,878,300
Total Federal Funds	4,021,800	2,878,300	4,021,800	2,878,300
Road Fund				
Regular Appropriation	4,756,000	4,331,000	4,756,000	4,331,000
Total Road Fund	4,756,000	4,331,000	4,756,000	4,331,000
TOTAL SOURCE OF FUNDS	580,892,900	598,567,500	515,723,600	554,281,300
EXPENDITURES BY CLASS				
Personnel Cost	161,740,800	173,869,200	147,582,200	148,590,500
Operating Expenses	94,350,500	94,847,700	87,681,200	89,280,600
Grants, Loans or Benefits	10,750,000	9,750,000	10,250,000	9,250,000
Debt Service	298,875,900	307,822,900	253,919,000	293,047,600
Capital Outlay	921,000	645,000	1,305,100	515,000
Construction	3,800,000	3,500,000	3,500,000	3,500,000
TOTAL EXPENDITURES	570,438,200	590,434,800	504,237,500	544,183,700
EXPENDITURES BY FUND SOURCE				
General Fund	441,829,600	460,263,200	384,509,500	417,594,600
Tobacco Settlement-Phase I	10,388,200	10,380,400	6,291,600	15,488,200
Restricted Funds	109,442,600	112,581,900	104,658,600	103,891,600
Federal Funds	4,021,800	2,878,300	4,021,800	2,878,300
Road Fund	4,756,000	4,331,000	4,756,000	4,331,000
TOTAL EXPENDITURES	570,438,200	590,434,800	504,237,500	544,183,700
EXPENDITURES BY UNIT				
General Administration	16,933,200	17,302,500	19,758,500	19,282,900
Controller	15,797,200	16,889,900	16,153,700	15,278,500
Debt Service	283,400,900	278,878,900	253,904,000	293,032,600
Facilities and Support Services	52,534,400	68,185,300	36,780,400	36,524,600
County Costs	27,867,200	27,867,200	20,506,500	20,606,500
Commonwealth Office of Technology	62,079,900	61,748,700	57,825,700	57,764,600
Revenue	74,106,600	78,989,100	66,011,000	67,651,400
Property Valuation Administrators	37,718,800	40,573,200	33,297,700	34,042,600
TOTAL EXPENDITURES	570,438,200	590,434,800	504,237,500	544,183,700

The Finance and Administration Cabinet is responsible for managing the financial resources of the Commonwealth and providing central administrative services to agencies of state and local government. The mission of the Finance and Administration Cabinet is to enable its customers to achieve their missions through leadership assistance in the delivery of quality services, effective administration, and sound financial management. The Cabinet provides leadership, coordination, and support to other state agencies to ensure accountability and integrity in the use of public resources. The Finance and Administration Cabinet constantly strives to conduct government business more effectively. Moreover, among the highest priorities of the Cabinet is providing the eight Cabinets and all other agencies of state government with the resources necessary to carry out their stated missions by equitable and efficient revenue collection.

The Cabinet's duties include construction of state facilities, property management, tax administration and collection, management of the Commonwealth's information technology systems, expenditure control, and state purchasing.

The Department of Revenue is the statutory agency of state government responsible for the thorough and equitable administration of all state revenue laws, and for the assessment and collection of state taxes. In fulfilling this responsibility, the Department seeks to ensure taxpayers' voluntary compliance with the revenue laws and regulations, to enforce such laws in those instances where necessary, and to supervise and assist county property valuation administrators in their implementation of the property tax laws.

The Commonwealth Office of Technology (COT) provides leadership, policy direction, and technical support to all executive branch agencies of state government in the application of information technology and the delivery of information services. This broad statement of responsibility encompasses major information resource functions such as data center operations; voice, data, and video communications; application development; data and security administration; computer and data communications, hardware selection and installation; and related end user and customer support services. The workload for COT is highly sensitive to agency programmatic shifts, particularly changes mandated by state and federal legislation.

Policy

Executive Order 2003-064 transferred the following entities from the former Revenue Cabinet to the Finance and Administration Cabinet:

- The Department of Property Valuation
- The Department of Tax Administration
- The Department of Law
- The Department of Information Ombudsman
- The Office of Financial and Administrative Services

Executive Order 2003-064 transferred the following entity from the Governor's Office to the Finance and Administration Cabinet:

- The Governor's Office for Technology

Executive Order 2003-064 transferred the following entity from the Education, Arts, and Humanities Cabinet to the Finance and Administration Cabinet:

- Kentucky Teachers' Retirement System Board of Trustees

All of the above Executive Orders were ratified by the 2005 Session of the General Assembly in Senate Bill 49.

**Finance and Administration Cabinet
General Administration**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	9,336,200	9,733,300	11,916,700	11,938,200
Total General Fund	9,336,200	9,733,300	11,916,700	11,938,200
Restricted Funds				
Balance Forward	2,212,700	1,287,600	2,159,800	1,366,500
Current Receipts	6,512,900	6,712,900	6,765,500	7,040,500
Non-Revenue Receipts	-124,000	-124,000		
Total Restricted Funds	8,601,600	7,876,500	8,925,300	8,407,000
Road Fund				
Regular Appropriation	283,000	283,000	283,000	283,000
Total Road Fund	283,000	283,000	283,000	283,000
TOTAL SOURCE OF FUNDS	18,220,800	17,892,800	21,125,000	20,628,200
EXPENDITURES BY CLASS				
Personnel Cost	9,863,600	10,650,300	12,638,300	12,690,800
Operating Expenses	3,675,600	3,558,200	4,021,100	3,998,100
Grants, Loans or Benefits	3,000,000	3,000,000	2,500,000	2,500,000
Capital Outlay	94,000	94,000	599,100	94,000
Construction	300,000			
TOTAL EXPENDITURES	16,933,200	17,302,500	19,758,500	19,282,900
EXPENDITURES BY FUND SOURCE				
General Fund	9,336,200	9,733,300	11,916,700	11,938,200
Restricted Funds	7,314,000	7,286,200	7,558,800	7,061,700
Road Fund	283,000	283,000	283,000	283,000
TOTAL EXPENDITURES	16,933,200	17,302,500	19,758,500	19,282,900
EXPENDITURES BY UNIT				
Secretary	5,403,500	5,573,500	4,264,500	4,269,400
Technology Operations	896,600	967,700		
General Counsel	655,600	685,700	3,826,400	3,902,700
Administrative Services	1,654,000	1,757,500	3,703,800	3,719,800
Occupations and Professions	894,300	923,000	814,000	785,000
Printing	3,983,900	4,182,000	3,800,500	3,803,100
Postal Services	3,445,300	3,213,100	3,349,300	2,802,900
TOTAL EXPENDITURES	16,933,200	17,302,500	19,758,500	19,282,900

The General Administration appropriation unit provides coordination and management of the Cabinet. It is comprised of the Office of the Secretary, Office of Public Information, Office of General Counsel, Office of Equal Employment Opportunity, Contract Compliance, and the Office of Administrative Services; including the divisions of Occupations and Professions, Printing, and Postal Services.

The Office of the Secretary, which includes the Office of Public Information, develops executive policy and directs the overall management of the Commonwealth's property and financial assets. Office staff coordinates fiscal and personnel administration for the Cabinet, reviews all internal reorganizations, prepares the Cabinet legislative package, and handles inquiries and issues that arise from the General Assembly, the news media, and the general public. The Secretary of Finance

serves on numerous boards and commissions including the Kentucky Economic Development Partnership Board, the Kentucky Economic Development Finance Authority, the Kentucky Infrastructure Authority, the Kentucky Higher Education Assistance Authority and the Kentucky Housing Corporation.

The Office of Equal Employment Opportunity (EEO) and Contract Compliance is responsible for developing, implementing, and monitoring the Finance and Administration Cabinet's affirmative action plan, as required by KRS 18A.138. The Office also monitors all contracts in excess of \$250,000 awarded by the Cabinet to ensure compliance with the affirmative action provisions of the Kentucky Equal Opportunity Act.

The Office of General Counsel provides legal services to the departments of the Finance and Administration Cabinet and Cabinet-related entities. Members of this office represent the Secretary of the Cabinet in civil litigation. The unit also reviews legislation being considered by the General Assembly.

The Office of Administrative Services manages personnel, fiscal policy, and payroll functions for all units within the Finance and Administration Cabinet, the Governor's Office, the Executive Branch Ethics Commission, the School Facilities Construction Commission, and the Lieutenant Governor's Office. This unit prepares the Cabinet's budget and manages the Cabinet's personal property inventory. The Office has responsibility for the management and oversight of the Division of Occupations and Professions, the Division of Printing, and the Division of Postal Services.

The Division of Occupations and Professions provides administrative services and technical assistance to state licensing boards and commissions. Currently, the Division directly supports the following twenty (20) organizations: Alcohol and Drug Counselors, Art Therapy, Athlete Agents, Dietitians and Nutritionists, Fee-Based Pastoral Counselors, Hearing Instrument Specialists, Interpreters for the Deaf and Hard of Hearing, Marriage and Family Therapists, Massage Therapists, Nursing Home Administrators, Occupational Therapy, Ophthalmic Dispensers, Private Investigators, Professional Counselors, Professional Geologists, Proprietary Education, Psychology, Social Work, Speech-Language Pathology and Audiology, and Veterinary Examiners. The services provided by the Division include personnel, property management, budget management, contracting, complaint management, fee collection, enforcement of statutes and regulations, and other issues identified as important to performing the duties of the agency.

The Division of Printing, established by KRS 42.025, is responsible for the printing and duplicating needs of state agencies as deemed necessary by the Finance and Administration Cabinet. The Division is a full service, self-supporting printing facility that includes inventory selection, pre-press with high resolution output, printing, color copying, large format printing, bindery, finishing, and delivery. Also included are four Quick Copy Centers in convenient locations in the Frankfort/Franklin County area with the ability to receive printing requests via network connections. The Division of Printing provides on-demand printing and shipping of forms used by agencies in their provision of services to reduce warehousing costs. The Division also provides electronic form development and maintains a forms library on a state government web site.

The Division of Postal Services has recently consolidated from five locations into one mail management center which provides a more secure environment of the Commonwealth's mail. The Division provides messenger service to all state agencies and performs mail processing functions for over 125 state agencies. This division advises agencies about USPS rules, regulations, and services.

Policy

Included in the Budget of the Commonwealth is \$2,500,000 in fiscal year 2004-2005 and \$2,500,000 in fiscal year 2005-2006 from the General Fund for the Affordable Housing Trust Fund.

The functions of Technology Operations were reassigned to the Commonwealth Office of Technology in the reorganization ratified by Senate Bill 49 in 2005.

The Office of Capital Plaza Operations was transferred to the Commerce Cabinet in the reorganization ratified by Senate Bill 49 and Senate Bill 40 in 2005.

Finance and Administration Cabinet

Controller

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	10,067,300	12,022,100	10,714,700	10,832,100
Total General Fund	10,067,300	12,022,100	10,714,700	10,832,100
Restricted Funds				
Balance Forward	1,048,700	478,800	1,743,900	1,138,800
Current Receipts	1,615,000	1,885,000	1,615,000	1,885,000
Non-Revenue Receipts	295,000	323,100	-31,100	-31,100
Total Restricted Funds	2,958,700	2,686,900	3,327,800	2,992,700
Federal Funds				
Current Receipts	3,250,000	2,250,000	3,250,000	2,250,000
Total Federal Funds	3,250,000	2,250,000	3,250,000	2,250,000
TOTAL SOURCE OF FUNDS	16,276,000	16,959,000	17,292,500	16,074,800
EXPENDITURES BY CLASS				
Personnel Cost	6,089,400	6,528,000	6,431,500	6,480,900
Operating Expenses	6,442,800	6,452,900	6,457,200	6,532,600
Grants, Loans or Benefits	3,250,000	2,250,000	3,250,000	2,250,000
Debt Service	15,000	1,659,000	15,000	15,000
TOTAL EXPENDITURES	15,797,200	16,889,900	16,153,700	15,278,500
EXPENDITURES BY FUND SOURCE				
General Fund	10,067,300	12,022,100	10,714,700	10,832,100
Restricted Funds	2,479,900	2,617,800	2,189,000	2,196,400
Federal Funds	3,250,000	2,250,000	3,250,000	2,250,000
TOTAL EXPENDITURES	15,797,200	16,889,900	16,153,700	15,278,500
EXPENDITURES BY UNIT				
Controller	6,508,400	8,326,200	6,057,300	6,066,500
Social Security	394,500	419,700	343,200	350,600
Rural Empowerment Zone	3,000,000	2,000,000	3,000,000	2,000,000
Appalachian Ky Initiative	250,000	250,000	250,000	250,000
Financial Management	3,642,400	3,755,100	3,502,800	3,502,800
Material & Procurement Services	1,792,500	1,914,200	1,675,100	1,676,800
Customer Resource Center			600,300	600,300
Policy and Audit	209,400	224,700	725,000	831,500
TOTAL EXPENDITURES	15,797,200	16,889,900	16,153,700	15,278,500

The Office of the Controller provides management for financial accounting control policies and procedures; financial accounting systems; debt management; state purchasing; administration of the Old-Age, Survivors, Disability and Hospital Insurance program; and functions relating to the county fee systems for local entities. The State Controller functions as the Commonwealth's Chief Accounting Officer and participates in the development and maintenance of the Commonwealth's strategic financial management program.

The Division of Local Government Services administers, for the benefit of state employees and political subdivisions within the Commonwealth, the Old Age and Survivors Insurance program under Section 218 of the federal Social Security Act. This program is responsible for ensuring that the social security obligations of the state and its political subdivisions are met.

To fulfill this responsibility, the State Office for Social Security periodically visits each of the political subdivisions for a procedural, compliance, and fiscal audit pursuant to KRS 61.410 - 61.500. The Division also provides personnel, accounting, and other administrative services to counties through the County Costs, County Fees, and PVA programs.

The Division of Statewide Accounting Services is responsible for maintenance and operation of the central statewide accounting system and provides centralized accounting of all receipts and disbursements of the Commonwealth. In addition, this Division prepares daily, monthly, and annual financial reports, which constitute a complete report of the financial activities and condition of the Commonwealth.

The Office of Financial Management manages the state's investments and debt. This includes managing cash flow to maximize the return on state investments, making debt service payments, managing the sale of bonds, and reporting to the General Assembly on all investment and debt matters. The Office is responsible for developing a long-term debt plan for the Commonwealth, including the development of criteria for the issuance of debt, providing an evaluation of how much total state debt is justified, and evaluating revenue projections relative to proposed revenue bond issues. The Office handles all investments on behalf of the General Fund, the Capital Construction Fund, the Transportation Fund, and approximately 50 other accounts.

The Office of Material and Procurement Services is responsible for the central purchasing and materials management for state government (excluding construction and road maintenance). The Office supports the Procurement Desktop software module of MARS, designing and testing modifications to the software to ensure it meets the needs of using agencies. The Procurement Services Branch and the Procurement of Technology Services Branch are responsible, with respect to their area of expertise, for purchasing all commodities and non-professional services for state agencies that exceed an agency's small purchase authority limit. The Government Contract Review Branch provides administrative oversight and review of all personal service contracts and Memoranda of Agreement, and ensures compliance with the provisions of KRS 45A prior to forwarding contracts to the Legislative Research Commission, Government Contract Review Committee, for approval.

The Office of the Customer Resource Center (CRC) operates a help desk to support nearly 5,000 users of the MARS system and is responsible for training Commonwealth employees on all MARS products. In addition, CRC is responsible for developing and analyzing reports to identify areas that need improvement.

The Office of Policy and Audit is responsible for assuring the reliability and integrity of information used to support management decision making, evaluating how state assets are safeguarded, providing risk and insurance management to the Cabinet, and appraising the economy and efficiency of resource use. Staff also ascertains whether the operations and programs are being implemented as planned, and performs special studies at the request of management.

Policy

Notwithstanding KRS 61.470(4) or any other statute or provision of law to the contrary, no money is appropriated for the Social Security Contingent Liability Fund established by KRS 61.470(4). Any expenditures that may be required by KRS 61.470(4) are hereby deemed necessary government expenses and shall be paid first from the General Fund Surplus Account (KRS 48.700) if available or from any available balance in either the Judgments budget unit appropriation or the Budget Reserve Trust Fund Account (KRS 48.705), subject to the conditions and procedures provided in the Appropriations Act.

Included in the Budget of the Commonwealth is \$100,000 in General Funds in fiscal year 2004-2005 and \$100,000 in fiscal year 2005-2006 to replace the investment income that has historically accrued to this program from the Social Security Contingent Liability Fund. Also included in the Budget of the Commonwealth is an anticipated increase in the state-banking contract of \$400,000 in General Fund in both fiscal years of the upcoming biennium. The fiscal year 2003-2004 cost of the state-banking contract is approximately \$1,157,000.

Finance and Administration Cabinet

Debt Service

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	270,257,700	266,168,500	244,857,400	275,214,400
Total General Fund	270,257,700	266,168,500	244,857,400	275,214,400
Tobacco Settlement-Phase I				
Tobacco Settlement - I	10,213,200	10,205,400	6,116,600	15,313,200
Total Tobacco Settlement-Phase I	10,213,200	10,205,400	6,116,600	15,313,200
Road Fund				
Regular Appropriation	2,930,000	2,505,000	2,930,000	2,505,000
Total Road Fund	2,930,000	2,505,000	2,930,000	2,505,000
TOTAL SOURCE OF FUNDS	283,400,900	278,878,900	253,904,000	293,032,600
EXPENDITURES BY CLASS				
Debt Service	283,400,900	278,878,900	253,904,000	293,032,600
TOTAL EXPENDITURES	283,400,900	278,878,900	253,904,000	293,032,600
EXPENDITURES BY FUND SOURCE				
General Fund	270,257,700	266,168,500	244,857,400	275,214,400
Tobacco Settlement-Phase I	10,213,200	10,205,400	6,116,600	15,313,200
Road Fund	2,930,000	2,505,000	2,930,000	2,505,000
TOTAL EXPENDITURES	283,400,900	278,878,900	253,904,000	293,032,600

Policy

Pursuant to the 2004-2006 Branch Budget Request Manual and consistent with the intent of KRS Chapter 56, previously authorized State Property and Buildings Commission General Fund debt service for all agencies is now consolidated in the Finance and Administration Cabinet. All new 2004-2006 State Property and Buildings Commission General Fund debt service (except that which directly affects the Finance and Administrative Cabinet's programs) is reflected in budgets of the affected agencies.

The Budget of the Commonwealth includes General Fund debt service totaling \$7,493,000 to support new Finance and Administration Cabinet projects contained in House Bill 267.

The Budget of the Commonwealth includes General Fund-Tobacco debt service totaling \$9,200,000 in fiscal year 2006 for new water and sewer projects authorized in House Bill 267.

**Finance and Administration Cabinet
Facilities and Support Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	21,697,800	36,711,100	7,243,900	7,242,600
Total General Fund	21,697,800	36,711,100	7,243,900	7,242,600
Restricted Funds				
Balance Forward	4,073,200	3,466,000	3,506,900	2,524,000
Current Receipts	30,229,400	30,936,300	28,553,600	28,532,100
Total Restricted Funds	34,302,600	34,402,300	32,060,500	31,056,100
TOTAL SOURCE OF FUNDS	56,000,400	71,113,400	39,304,400	38,298,700
EXPENDITURES BY CLASS				
Personnel Cost	19,448,000	20,916,100	16,671,500	16,683,400
Operating Expenses	17,520,400	17,563,200	17,402,900	17,420,200
Debt Service	12,860,000	27,285,000		
Capital Outlay	706,000	421,000	706,000	421,000
Construction	2,000,000	2,000,000	2,000,000	2,000,000
TOTAL EXPENDITURES	52,534,400	68,185,300	36,780,400	36,524,600
EXPENDITURES BY FUND SOURCE				
General Fund	21,697,800	36,711,100	7,243,900	7,242,600
Restricted Funds	30,836,600	31,474,200	29,536,500	29,282,000
TOTAL EXPENDITURES	52,534,400	68,185,300	36,780,400	36,524,600
EXPENDITURES BY UNIT				
Commissioner's Office	616,500	660,000	545,100	545,100
Engineering	3,049,500	3,263,300	2,695,100	2,695,100
Contracting and Administration	1,634,400	1,751,200	1,381,000	1,381,000
Real Property	1,548,500	1,666,500	1,128,500	1,128,500
Historic Properties	748,000	793,600	472,900	471,600
Building Services	28,039,400	42,774,100	14,954,500	14,736,000
Mechanical Maintenance	15,218,200	15,540,300	14,653,800	14,617,800
Federal Surplus Property	575,300	606,300	547,800	547,800
State Surplus Property	1,104,600	1,130,000	401,700	401,700
TOTAL EXPENDITURES	52,534,400	68,185,300	36,780,400	36,524,600

The Department for Facilities and Support Services consists of the Commissioner's Office and five offices/divisions: Engineering and Contract Administration; Historic Properties; Real Properties; Surplus Properties; and the Office of Building and Mechanical Services. The Department manages the State's facilities construction program, maintains Finance and Administration Cabinet buildings, provides management and oversight of state-owned historical buildings and sites, and provides real property acquisition, disposition, leasing, and inventory services.

The Commissioner's Office coordinates and supervises the activities of the five offices/divisions authorized in KRS 42.027.

The Division of Engineering and Contract Administration provides professional and technical engineering and architectural services to state agencies, reviews capital construction design documents, acts as a liaison between the Department and state agencies on new construction and major maintenance projects, and monitors construction and maintenance contracts for compliance with plans and specifications. Responsible for administering the procurement process for construction projects of the Commonwealth of Kentucky, excluding roads and bridges. Procurement procedures and practices are

prescribed by the Kentucky Model Procurement Code, KRS 45A, and the related administrative regulations. The Division prepares invitations to bid, opens and evaluates those bids, and awards contracts. The General Contracting branch provides general construction procurement, administers the advertising and awarding of state general construction projects and related support systems, provides procurement information to state agencies, and administers procurement programs for new building construction, renovation, and mechanical, electrical, and HVAC systems. The Specialized Contracting branch administers the advertising and awarding of state specialized construction projects and related support systems, provides procurement information to state agencies, administers programs such as reclamation under the Abandoned Mines Lands Program, the procurement of state-owned telephone switching systems, asbestos abatement projects, and master agreements for maintenance of elevators, escalators, and similar services. The Administrative Services branch and the Pre-Audit Branch provide support services to the Division and Department.

The Division of Real Properties provides buildings and parking facilities for state agencies throughout the Commonwealth. The Leased Properties branch is responsible for administering space requests for leased property, acquisitions of privately-owned leased property for state use, lease renewals and cancellations, modifications to leased property, and related activities. The State Properties branch administers space assignments for state-owned real property, acquisitions and sales of real properties, leases of state-owned real property to other entities, easements on state-owned real property, appraisals and appraisal reviews for acquisitions and dispositions, authorization of demolition of state-owned buildings, and relocation assistance. The Inventory and Property Utilization branch plans space utilization including minor building alterations and renovations and interior space standards and administers inventory of state-owned real property, inventory of state-owned leased-out real property, inventory of state leased-in real property, building use permits, reserved parking assignments in Frankfort, and deed and easement records of state-owned real property.

The Division of Historic Properties, in accordance with KRS 42.019 and KRS 11.026, is responsible for the preservation and maintenance of Finance and Administration Cabinet-owned historic sites including the Kentucky State Capitol, Executive Mansion, Old Governor's Mansion, Berry Hill Mansion, and the Vest-Lindsey State Meeting House. The Division consults with the Department of Parks to preserve and maintain those historic sites under the management and control of the Tourism Development Cabinet. The same consultation services are provided to other agencies within state government as requested. The Director of the Division of Historic Properties serves as State Curator and a member of the Historic Properties Advisory Commission. The Commission is statutorily responsible for overseeing the maintenance, restoration, preservation, and care of furnishings and grounds of the Executive Mansion, Old Governor's Mansion, and State Capitol grounds. Historic Properties staff is responsible for scheduling and coordinating events held in the public areas of the Capitol Building and grounds. Staff have established and implemented policies and guidelines for the use of this space to allow public access while preserving and protecting the historic and architectural integrity of the buildings and grounds.

The Office of Building and Mechanical Services, which includes the Division of Building Services and the Division of Mechanical Services, as authorized by KRS 42.027, provide services for all Finance and Administration Cabinet-operated buildings and for the state agencies occupying those facilities.

In Frankfort, the Office is responsible for several buildings including the Capitol, New Capitol Annex, Old Capitol, Old Capitol Annex, Capital Plaza Complex, Human Resources Building, Executive Mansion, Old Governor's Mansion, New State Office Building, Library and Archives Building, Central Lab Facility, the Kentucky History Center and the new Transportation Cabinet building. The Office also service buildings at the London Regional and Madisonville State Office Complexes as well as the Spindletop Research Complex in Fayette County and offices in Ashland, Jackson, Louisville, Owensboro, and Richmond that were formerly owned and operated by Health and Family Services. Services provided include minor renovations; maintaining parking lots, sidewalks and ramps; janitorial and landscaping services; maintaining the heating, ventilating, and air conditioning systems; maintaining special equipment within the buildings as requested; roof repair; fire alarm and security systems; electrical systems; energy conservation; maintaining elevators and escalators; maintaining emergency power systems; and after-hours emergency services.

Additionally, the Office is responsible for developing plans and specifications for a wide variety of construction projects. After plans and specifications are complete and have been approved, the Office oversees the construction phase and provides contract administration.

Policy

The Budget of the Commonwealth assumes no increase in the rate charges for rent and utilities so they will remain at the fiscal year 2004 level throughout the biennium. The actual receipts reflected will be higher due to the increased square footage under management.

Finance and Administration Cabinet

County Costs

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	25,942,200	25,942,200	18,581,500	18,681,500
Total General Fund	25,942,200	25,942,200	18,581,500	18,681,500
Restricted Funds				
Balance Forward	108,100	54,000	46,100	45,400
Current Receipts	1,870,900	1,871,000	1,924,300	1,925,000
Total Restricted Funds	1,979,000	1,925,000	1,970,400	1,970,400
TOTAL SOURCE OF FUNDS	27,921,200	27,867,200	20,551,900	20,651,900
EXPENDITURES BY CLASS				
Personnel Cost	1,900,000	1,900,000	1,900,000	1,900,000
Operating Expenses	21,642,200	21,642,200	14,281,500	14,381,500
Grants, Loans or Benefits	4,325,000	4,325,000	4,325,000	4,325,000
TOTAL EXPENDITURES	27,867,200	27,867,200	20,506,500	20,606,500
EXPENDITURES BY FUND SOURCE				
General Fund	25,942,200	25,942,200	18,581,500	18,681,500
Restricted Funds	1,925,000	1,925,000	1,925,000	1,925,000
TOTAL EXPENDITURES	27,867,200	27,867,200	20,506,500	20,606,500
EXPENDITURES BY UNIT				
Public Defender Program	1,850,000	1,850,000	1,850,000	1,850,000
Witnesses	150,000	150,000	150,000	150,000
DUI Service Fees	1,425,000	1,425,000	1,425,000	1,425,000
Sheriffs Fees'	8,229,600	8,229,600	7,800,000	7,800,000
County Clerks (Make Tax Bills)	400,000	400,000	400,000	400,000
Board Of Assessment Appeals	75,000	75,000	75,000	75,000
Fugitive From Justice	2,700,000	2,700,000	1,700,000	1,700,000
Jury Fund	4,200,000	4,200,000	3,700,000	3,800,000
Sheriffs Expense Allowance	500,000	500,000	500,000	500,000
Premium On Sheriffs' Bonds	6,500	6,500	6,500	6,500
Base Court Revenue	5,431,100	5,431,100		
Access to Justice	2,900,000	2,900,000	2,900,000	2,900,000
TOTAL EXPENDITURES	27,867,200	27,867,200	20,506,500	20,606,500

County Costs are paid to local officials for the performance of functions required by state statutes. For example, a sheriff is paid by the state for services rendered to the state for enforcing state laws. This falls within the Criminal Prosecutions program. A witness in a state court trial is paid by the state for performing a function required by state statute. This is an example of the Miscellaneous Fee program. Payments under the County Costs program are statutorily mandated and are regarded as necessary government expenses.

Under KRS 27A.630, as amended by House Bill 163 in the 2003 session of the General Assembly, filing fees for civil actions include \$20 in Circuit Court and \$10 in District Court to support access to justice by indigent clients. The fees are paid to the General Fund, and the Finance and Administration Cabinet distributes them monthly to non-profit agencies designated by the Chief Justice in each judicial district to provide the legal services.

KRS 31.185 requires the fiscal court or legislative body of an urban county government, containing less than ten Circuit Judges, to annually appropriate twelve and one-half (\$0.125) cents per capita, of the population of the county as determined by the Council of Local Governments' most recent population statistics, to a special account to be administered by the Finance and Administration Cabinet. The funds, which shall not lapse, shall be used to pay all court orders (KRS 31.185) that have been entered into as a result of a needy defendant's motion for funding assistance. If the funds are depleted in any given year, any unpaid court orders will be paid as a judgment against the Commonwealth.

Policy

Funds required to pay county costs are appropriated and additional funds may be allotted from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705) by the Secretary of the Finance and Administration Cabinet, subject to the conditions and procedures provided in the Appropriations Act.

**Finance and Administration Cabinet
Commonwealth Office of Technology**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,900,000	300,000	292,500	292,500
Total General Fund	2,900,000	300,000	292,500	292,500
Restricted Funds				
Balance Forward	4,453,100	3,696,800	3,393,100	3,916,800
Current Receipts	57,501,500	60,670,100	57,154,600	56,685,500
Non-Revenue Receipts	25,300	25,300	5,500	5,500
Total Restricted Funds	61,979,900	64,392,200	60,553,200	60,607,800
Federal Funds				
Current Receipts	771,800	628,300	771,800	628,300
Total Federal Funds	771,800	628,300	771,800	628,300
Road Fund				
Regular Appropriation	125,000	125,000	125,000	125,000
Total Road Fund	125,000	125,000	125,000	125,000
TOTAL SOURCE OF FUNDS	65,776,700	65,445,500	61,742,500	61,653,600
EXPENDITURES BY CLASS				
Personnel Cost	34,843,400	37,241,700	33,044,900	33,196,000
Operating Expenses	22,961,500	22,832,000	23,105,800	22,893,600
Grants, Loans or Benefits	175,000	175,000	175,000	175,000
Debt Service	2,600,000			
Construction	1,500,000	1,500,000	1,500,000	1,500,000
TOTAL EXPENDITURES	62,079,900	61,748,700	57,825,700	57,764,600
EXPENDITURES BY FUND SOURCE				
General Fund	2,900,000	300,000	292,500	292,500
Restricted Funds	58,283,100	60,695,400	56,636,400	56,718,800
Federal Funds	771,800	628,300	771,800	628,300
Road Fund	125,000	125,000	125,000	125,000
TOTAL EXPENDITURES	62,079,900	61,748,700	57,825,700	57,764,600
EXPENDITURES BY UNIT				
Commonwealth Office of Technology	6,408,500	6,534,500	6,172,700	6,038,100
911 Coordinator	326,700	340,500	500,000	440,000
Consulting and Project Management	13,332,300	14,257,400	12,696,000	12,750,000
Infrastructure Services	39,653,100	38,138,600	36,286,000	36,359,100
Enterprise IT Policy and Planning	2,359,300	2,477,700	2,171,000	2,177,400
TOTAL EXPENDITURES	62,079,900	61,748,700	57,825,700	57,764,600

In accordance with Senate Bill 49, as enacted by the 2005 General Assembly, the Governor's Office for Technology was abolished and the Commonwealth Office of Technology was created and attached to the Finance and Administration Cabinet.

The Commonwealth Office of Technology (COT) provides leadership, policy direction, and technical support to all executive branch agencies in the application of information technology and the delivery of information services. This broad statement of responsibility encompasses major information resource functions such as data center operations; voice, data, and video

communications; application development; data and security administration; computer and data communications, hardware selection and installation; and related end user and customer support services. The workload for COT is highly sensitive to agency programmatic shifts, particularly changes mandated by state and federal legislation.

The Commonwealth Office of Technology provides support for major management systems, such as:

- Automated Management and Administrative Reporting System (MARS)
- Kentucky Vehicle Registration and Information System (KVIS and AVIS)
- Revenue Tax Systems
- Driver's License System
- Uniform Payroll and Personnel System
- Kentucky State Police Systems
- Education Technology System
- Kentucky's Electronic Workplace for Employment Services (KEWES)

The Commonwealth Office of Technology consists of five offices, two boards, and two advisory councils as outlined below:

- Commissioner's Office of Technology
- Office of Enterprise IT Policy and Planning
- Division of Geographic Information
- Office of Infrastructure Services
- Office of Consulting and Project Management
- Office of the 911 Coordinator
- Commercial Mobile Radio Service Emergency Telecommunications Board (CMRS)
- Kentucky Telehealth Board
- Kentucky Wireless Interoperability Executive Committee (KWIEC)
- Kentucky Information Technology Advisory Council (ITAC)
- Geographic Information Advisory Council (GIAC)

The Commissioner of COT is responsible for developing strategies and policies to support and promote the effective application of information technology within state government as a means of saving money, increasing efficiency, increasing employee productivity, and improving state services to the public, including electronic access to information of the Commonwealth. The General Counsel is responsible for providing legal services for COT and for advising the Commissioner of COT on the legal implications of information technology policy as it relates to government operations.

The Office of Enterprise IT Policy and Planning is responsible for the statewide strategic information technology plan and the development of the agency information resources planning model and plan review. Other responsibilities include the formulation of information technology policy, enterprise architecture and standards, enterprise capacity planning, agency program review, and research and development. The Division of Geographic Information, which provides coordination, technical support, and planning assistance for government agencies and their instrumentalities in geo-spatial information resources development and deployment, is attached to the office of Enterprise IT Policy and Planning. Through the Division of IT Contracts and Asset Management, this Office provides oversight of business operations.

The Office of Infrastructure Services is responsible for the operation of the enterprise-computing environment. This Office includes the daily operation of the Commonwealth Data Center, operation and maintenance of the Kentucky Information Highway, and all communication services, including data, voice, video and wireless. Other responsibilities include providing help desk assistance to end users in the Commonwealth and meeting the demands of tighter security of client information in the areas of electronic commerce and network computing.

The Office of Consulting and Project Management is responsible for the analysis, design, development, maintenance and operation of many systems that support and drive mission-critical activities for the Commonwealth, including systems related to public assistance, public health and safety, administration and collection of Kentucky taxes, and the management of state government, including personnel and financial management.

The CMRS Board collects user fees monthly from subscribers of the approximately 30 wireless carriers providing wireless telephone service in Kentucky. These fees are used to fund technology upgrades at Kentucky's enhanced 911 centers and to enhance the networks operated by the carriers.

The Kentucky Telehealth Board was established in accordance with KRS 11.550 to increase remote access to specialized health care services. The Board is responsible for establishing Telehealth training centers, developing a Telehealth network of rural sites, promulgating administrative regulations, establishing protocols and standards, and maintaining a central link for the network with the Kentucky Information Highway (KIH).

The Governor's Technology Advisory Council is responsible for advising the Commissioner of COT on approaches for coordinating information technology solutions among libraries, public schools, local governments, universities and other public entities. The Council is to provide a forum for the discussion of emerging technologies that enhances electronic accessibility to various publicly funded sources of information and services.

The Geographic Information Advisory Council (GIAC) was created by Executive Order in 1992 and later ratified by the 1994 General Assembly in KRS 11.515. The Council consists of 26 members representing major state agencies, local governments, and professional organizations. There is also a non-voting legislative liaison appointed by the Legislative Research Commission. The GIAC is responsible for advising the CIO, COT and other state and local government agencies on issues relating to geographic information and geographic information systems, with the intent of encouraging the coordination of GIS programs to minimize redundancy in database creation and maintenance. The Council develops and adopts policies and standards that assist state and local jurisdictions in developing, deploying and leveraging GIS technology for the purpose of improving public administration.

The Commonwealth Office of Technology operates as an internal service fund agency with budgetary support derived primarily through the application of a federally approved cost allocation plan, which distributes costs to user agencies based upon utilization of services.

Policy

In fiscal year 2005 and 2006, the Commonwealth Office of Technology is separating "enterprise costs" from reconciled rates for billable services. This change will result in a reduced rate structure to customers. The "enterprise costs" will be recovered by an alternative method to all state agencies based on personnel cap. The overall net impact to COT is zero.

Upgrading information technology was a key component of the Governor's budget recommendation which provided the financial wherewithal to COT to modernize several critical public safety and communication systems and their components. Highlights of the funding for major systems are the following:

- Kentucky Emergency Warning System (KEWS) - Digitize and upgrade the three decade old public safety communication infrastructure system depended upon by state agencies such as KET, KSP, KVE, Military Affairs, National Weather Service and local agencies such as county sheriffs, fire dispatch, 911 dispatch and emergency medical personnel - \$13,768,000 in bonds.
- Unified Criminal Justice Information System (UCJIS) E-WARRANT - Modernize and implement a streamlined process for the issuance, tracking and clearance of warrants, summonses, and related documents across the Commonwealth - \$5,500,000 in bonds.
- Kentucky Information Highway (KIH) - Upgrade networking devices - \$3,500,000 in restricted funds.

Finance and Administration Cabinet

Revenue

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	68,373,700	73,276,900	61,183,200	62,860,700
Total General Fund	68,373,700	73,276,900	61,183,200	62,860,700
Tobacco Settlement-Phase I				
Tobacco Settlement - I	175,000	175,000	175,000	175,000
Total Tobacco Settlement-Phase I	175,000	175,000	175,000	175,000
Restricted Funds				
Balance Forward	1,211,700	1,025,700	2,558,400	1,504,500
Current Receipts	3,953,900	3,941,900	2,284,600	2,960,600
Fund Transfers			-103,700	
Total Restricted Funds	5,165,600	4,967,600	4,739,300	4,465,100
Road Fund				
Regular Appropriation	1,418,000	1,418,000	1,418,000	1,418,000
Total Road Fund	1,418,000	1,418,000	1,418,000	1,418,000
TOTAL SOURCE OF FUNDS	75,132,300	79,837,500	67,515,500	68,918,800
EXPENDITURES BY CLASS				
Personnel Cost	52,314,600	56,496,900	44,030,300	44,028,800
Operating Expenses	21,671,000	22,362,200	21,980,700	23,622,600
Capital Outlay	121,000	130,000		
TOTAL EXPENDITURES	74,106,600	78,989,100	66,011,000	67,651,400
EXPENDITURES BY FUND SOURCE				
General Fund	68,373,700	73,276,900	61,183,200	62,860,700
Tobacco Settlement-Phase I	175,000	175,000	175,000	175,000
Restricted Funds	4,139,900	4,119,200	3,234,800	3,197,700
Road Fund	1,418,000	1,418,000	1,418,000	1,418,000
TOTAL EXPENDITURES	74,106,600	78,989,100	66,011,000	67,651,400
EXPENDITURES BY UNIT				
Commissioner's Office	26,418,900	27,677,200	22,464,000	22,970,800
Property Valuation	6,655,200	7,100,100	5,508,700	5,649,800
Field Operations	28,977,700	31,205,000	11,388,600	11,841,100
Income Taxation			4,980,900	5,126,600
Sales and Excise Taxes			4,509,600	4,441,400
Processing and Enforcement	12,054,800	13,006,800	17,159,200	17,621,700
TOTAL EXPENDITURES	74,106,600	78,989,100	66,011,000	67,651,400

The Department of Revenue is responsible for the thorough and equitable administration of all state revenue laws, and for the assessment and collection of 47 separate state taxes. The Department aims to ensure the taxpayer's voluntary compliance with the revenue laws, to enforce such laws in those instances where necessary, and to supervise and assist county property valuation administrators in their implementation of the property tax laws.

The Commissioner's Office includes the Division of Legislative Services and the Office of the Taxpayer Ombudsman. Department-wide costs such as office rent, printing and postage, and information technology are budgeted in this unit.

The Office of Property Valuation monitors and evaluates the real property assessments produced by the 120 locally-elected Property Valuation Administrators (PVA). The division is charged with assessing the property of public service

companies; collecting and distributing personal property taxes; and providing education, training, and technical support to the PVA's and sheriffs.

The Office of Field Operations has 10 regional taxpayer service centers located across the state and is responsible for field audits and providing taxpayer assistance.

The Office of Income Taxation administers individual and business income taxes, including employer withholding. The Office is responsible for technical tax research, compliance, taxpayer assistance, tax-specific training, and publications.

The Office of Sales and Excise Taxes administers sales and use taxes and miscellaneous excise taxes. The Office conducts technical tax research and is responsible for compliance, taxpayer assistance, training and publications.

The Office of Processing and Enforcement receives all tax receipts, returns, refunds, documents and correspondence; registers new businesses; and maintains appropriate storage, retrieval and management of tax records for the Commonwealth.

Policy

On December 23, 2003, Executive Order 2003-064 abolished the Revenue Cabinet. Executive Order 2004-723, confirmed by the 2005 General Assembly in SB 49, transferred some of its duties to the Department of Revenue. Administrative functions such as legal services, accounting, budgeting and human resources were transferred to the Office of General Counsel, Office of Administrative Services, and Office of the Controller in the Finance and Administration Cabinet. Information technology functions were consolidated in the Commonwealth Office of Technology in the Finance and Administration Cabinet.

Additional General Fund of \$718,200 in each year of the biennium is provided for the Office of Property Valuation, to replace restricted fund support previously budgeted from the delinquent tax fund created in KRS 134.400.

The Budget of the Commonwealth includes General Fund of \$3,736,200 in fiscal year 2005 and \$3,854,400 in fiscal year 2006 for personnel and operating costs of 40 additional employees who will increase delinquent tax collections and begin collection activities on behalf of other state agencies.

Funds are provided in the Capital Budget for several important technology projects. Bond funds of \$14,062,000 in fiscal year 2005 will be used to develop a new system for administering the sales and use tax laws. Kentucky joined 39 other states in the Streamlined Sales Tax agreement, which aligns the sales tax laws so that sellers who do business in more than one state can more easily file returns and pay the tax due. The new system will permit centralized registration, on-line filing of returns, and electronic payment of taxes.

Bond funds of \$1,750,000 are provided in fiscal year 2005 to develop a system that will allow the Department of Revenue to offset a business' or a corporate officer's tax refund against amounts owed to other state or local government agencies.

Staff in the Department of Revenue presently collect debts owed to other state agencies, such as unemployment taxes and past due child support. They could provide similar services to several other agencies and the court system if the computerized files of those agencies could "talk to" the computers used by the Department. The enacted budget provides \$1,500,000 from bond funds in fiscal year 2005 to develop an interface to accomplish such data transfers.

General Funds are provided in fiscal year 2005 for the Department to purchase two new document scanners in its processing facility to replace three machines that are obsolete and no longer supported by the manufacturer. As more returns are filed electronically, the Department expects to have excess scanning capacity which will be made available to other state agencies that deal with large volumes of paper.

The Budget of the Commonwealth includes \$175,000 in Tobacco Settlement Funds in each year of the biennium to enhance the enforcement of the provisions of KRS 131.600, 131.602, and 131.604 - 131.630. These funds are provided to safeguard the master settlement agreement, the fiscal soundness of the state, and the public health.

**Finance and Administration Cabinet
Property Valuation Administrators**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	33,254,700	36,109,100	29,719,600	30,532,600
Total General Fund	33,254,700	36,109,100	29,719,600	30,532,600
Restricted Funds				
Balance Forward	891,600	445,800	1,179,800	990,100
Current Receipts	4,018,300	4,018,300	3,500,000	3,500,000
Fund Transfers			-111,600	
Total Restricted Funds	4,909,900	4,464,100	4,568,200	4,490,100
TOTAL SOURCE OF FUNDS	38,164,600	40,573,200	34,287,800	35,022,700
EXPENDITURES BY CLASS				
Personnel Cost	37,281,800	40,136,200	32,865,700	33,610,600
Operating Expenses	437,000	437,000	432,000	432,000
TOTAL EXPENDITURES	37,718,800	40,573,200	33,297,700	34,042,600
EXPENDITURES BY FUND SOURCE				
General Fund	33,254,700	36,109,100	29,719,600	30,532,600
Restricted Funds	4,464,100	4,464,100	3,578,100	3,510,000
TOTAL EXPENDITURES	37,718,800	40,573,200	33,297,700	34,042,600

Each of the state's 120 counties has a locally elected Property Valuation Administrator (PVA). The PVA and an appointed staff are responsible for locating, identifying, and assessing at fair market value all taxable real property (land and improvements), and tangible personal property in the county. Tax revenues generated by these assessments are used to fund services provided by the state, cities, counties, and school districts as well as special taxing districts such as fire departments, libraries, extension offices, and refuse disposal. Funding from the state, county, and city governments support the local Property Valuation Administrators' offices.

Policy

On December 23, 2003, Executive Order 2003-064 abolished the Revenue Cabinet. Executive Order 2004-723, confirmed by the 2005 General Assembly in Senate Bill 49, assigned responsibility for overseeing PVAs to the Office of Property Valuation in the Department of Revenue.

Notwithstanding KRS 132.590(3)(c), KRS 132.590(4), and KRS 132.597, Property Valuation Administrators may take necessary actions to manage expenditures within the budgeted amounts.

Health and Family Services Cabinet

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,629,384,400	1,838,519,300	1,450,700,300	1,551,139,300
Total General Fund	1,629,384,400	1,838,519,300	1,450,700,300	1,551,139,300
Tobacco Settlement-Phase I				
Tobacco Settlement - I	28,158,400	28,460,900	26,423,400	27,028,400
Continuing Appropriation	5,404,100	5,404,100	4,821,400	
Fund Transfers			-43,900	
Total Tobacco Settlement-Phase I	33,562,500	33,865,000	31,200,900	27,028,400
Restricted Funds				
Balance Forward	39,889,500	8,070,400	50,974,800	8,533,600
Current Receipts	551,067,700	522,108,000	595,688,000	533,051,100
Non-Revenue Receipts	231,595,500	234,217,400	242,449,700	240,836,600
Fund Transfers			-6,986,400	-358,800
Total Restricted Funds	822,552,700	764,395,800	882,126,100	782,062,500
Federal Funds				
Balance Forward	25,600	25,500	41,355,300	
Current Receipts	3,895,993,200	4,099,376,100	3,850,122,400	3,776,842,700
Non-Revenue Receipts	-23,822,100	-23,801,300	-23,839,900	-23,839,900
Total Federal Funds	3,872,196,700	4,075,600,300	3,867,637,800	3,753,002,800
TOTAL SOURCE OF FUNDS	6,357,696,300	6,712,380,400	6,231,665,100	6,113,233,000
EXPENDITURES BY CLASS				
Personnel Cost	620,102,200	665,748,800	564,026,600	561,630,200
Operating Expenses	164,755,600	171,500,900	126,944,500	139,701,400
Grants, Loans or Benefits	5,558,877,500	5,858,069,500	5,531,513,500	5,410,535,800
Debt Service		7,736,000		909,000
Capital Outlay	461,000	335,000	646,900	258,300
TOTAL EXPENDITURES	6,344,196,300	6,703,390,200	6,223,131,500	6,113,034,700
EXPENDITURES BY FUND SOURCE				
General Fund	1,629,384,400	1,838,519,300	1,450,700,300	1,551,139,300
Tobacco Settlement-Phase I	28,158,400	28,460,900	31,200,900	27,028,400
Restricted Funds	814,482,300	760,835,200	873,592,500	781,864,200
Federal Funds	3,872,171,200	4,075,574,800	3,867,637,800	3,753,002,800
TOTAL EXPENDITURES	6,344,196,300	6,703,390,200	6,223,131,500	6,113,034,700
EXPENDITURES BY UNIT				
General Administration and Program Support	100,936,500	107,133,900	87,939,400	88,133,500
Children with Special Health Care Needs	16,238,500	17,006,700	15,198,500	15,198,500
Medicaid Services	4,397,197,000	4,650,552,100	4,410,648,800	4,282,179,200
Mental Health/Mental Retardation	430,312,700	455,338,200	394,834,300	390,414,700
Public Health	316,682,200	322,278,500	317,227,800	316,744,800
Certificate of Need	317,600	340,500	280,600	323,900
Human Support Services	49,031,200	49,112,300	51,146,100	55,564,700
Ombudsman			6,779,400	6,779,400
Disability Determination Services	43,862,500	45,918,100	43,709,600	44,758,000
Community Based Services	989,618,100	1,055,709,900	895,367,000	912,938,000
TOTAL EXPENDITURES	6,344,196,300	6,703,390,200	6,223,131,500	6,113,034,700

The Health and Family Services Cabinet is the primary state agency responsible for leadership in protecting and promoting the health and well being of all Kentuckians through the delivery of quality health and human services. The Department for Medicaid Services, the Department for Mental Health/Mental Retardation Services, the Department for Public Health, the Department for Community Based Services, the Commission for Children with Special Health Care Needs, the Office of Certificate of Need, the Division of Aging Services, the Office of the Inspector General, Administrative Support, the Department for Disability Determination Services, the Division of Women's Physical and Mental Health, the Division of Family Resources and Youth Services Centers, the Kentucky Commission on Community Volunteerism and Service, the Office of the Ombudsman, the Division of Child Abuse and Domestic Violence Services, the Office of Legislative and Public Affairs, the Office of Legal Affairs, and the Office of the Secretary form the Health and Family Services Cabinet.

**Health and Family Services Cabinet
General Administration and Program Support**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	40,820,300	44,943,400	35,609,200	35,363,200
Total General Fund	40,820,300	44,943,400	35,609,200	35,363,200
Restricted Funds				
Balance Forward	3,231,600	1,471,500	3,796,200	1,471,500
Current Receipts	9,585,900	9,741,800	7,960,900	8,155,500
Non-Revenue Receipts	536,800	536,800	536,800	536,800
Fund Transfers			-169,100	
Total Restricted Funds	13,354,300	11,750,100	12,124,800	10,163,800
Federal Funds				
Balance Forward	100		1,627,700	
Current Receipts	48,233,300	50,681,400	40,049,200	42,606,500
Total Federal Funds	48,233,400	50,681,400	41,676,900	42,606,500
TOTAL SOURCE OF FUNDS	102,408,000	107,374,900	89,410,900	88,133,500
EXPENDITURES BY CLASS				
Personnel Cost	52,306,000	56,476,500	49,361,800	44,897,100
Operating Expenses	44,245,000	44,584,900	36,610,900	41,471,100
Grants, Loans or Benefits	4,276,000	4,276,000	1,946,200	1,378,500
Debt Service		1,687,000		354,000
Capital Outlay	109,500	109,500	20,500	32,800
TOTAL EXPENDITURES	100,936,500	107,133,900	87,939,400	88,133,500
EXPENDITURES BY FUND SOURCE				
General Fund	40,820,300	44,943,400	35,609,200	35,363,200
Restricted Funds	11,882,800	11,509,100	10,653,300	10,163,800
Federal Funds	48,233,400	50,681,400	41,676,900	42,606,500
TOTAL EXPENDITURES	100,936,500	107,133,900	87,939,400	88,133,500

General Administration and Program Support consists of Administrative Support and the Office of the Inspector General.

The Administrative Support area includes the Office of the Secretary, the Office of Legal Services, and the Office of Legislative Services. The Undersecretaries for Administrative and Fiscal Affairs, Health, Human Services, and Children and Family Services are within the Office of the Secretary. These offices provide policy, administrative, legal, financial, and personnel support services to the program areas of the Cabinet.

The Office of the Inspector General provides support to other programs in the Health and Family Services Cabinet through the Division of Audits and Detection, the Division of Special Investigations, the Division of Long Term Care, the Division of Regulated Child Care, and the Division of Health Care Facilities and Services and the Division of Fraud, Waste and Abuse Identification and Prevention. Two of the above divisions are responsible for the inspections of health care facilities, child caring facilities, and child day care programs.

**Health and Family Services Cabinet
General Administration and Program Support
Administrative Support**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	35,516,000	39,602,400	29,308,300	29,062,300
Total General Fund	35,516,000	39,602,400	29,308,300	29,062,300
Restricted Funds				
Balance Forward	1,755,700	464,000	2,066,200	464,000
Current Receipts	7,836,900	7,992,800	6,638,200	7,256,000
Non-Revenue Receipts	536,800	536,800	536,800	536,800
Fund Transfers			-169,100	
Total Restricted Funds	10,129,400	8,993,600	9,072,100	8,256,800
Federal Funds				
Balance Forward	100		1,489,100	
Current Receipts	36,233,200	37,782,700	27,545,300	29,964,000
Total Federal Funds	36,233,300	37,782,700	29,034,400	29,964,000
TOTAL SOURCE OF FUNDS	81,878,700	86,378,700	67,414,800	67,283,100
EXPENDITURES BY CLASS				
Personnel Cost	36,172,100	38,969,700	31,159,100	27,517,700
Operating Expenses	41,057,100	41,536,500	34,025,000	38,200,100
Grants, Loans or Benefits	4,076,000	4,076,000	1,746,200	1,178,500
Debt Service		1,687,000		354,000
Capital Outlay	109,500	109,500	20,500	32,800
TOTAL EXPENDITURES	81,414,700	86,378,700	66,950,800	67,283,100
EXPENDITURES BY FUND SOURCE				
General Fund	35,516,000	39,602,400	29,308,300	29,062,300
Restricted Funds	9,665,400	8,993,600	8,608,100	8,256,800
Federal Funds	36,233,300	37,782,700	29,034,400	29,964,000
TOTAL EXPENDITURES	81,414,700	86,378,700	66,950,800	67,283,100

Administrative Support provides funding for seven organizational units within the Cabinet for Health and Family Services including the Office of the Secretary, the Office of Legal Services, the Office of Legislative and Public Affairs, the Office of Fiscal Services, the Office of Technology, the Office of Human Resource Management, and the Office of Contract Oversight.

The Office of the Secretary provides oversight and leadership for the Cabinet and its programs. Within the Office of the Secretary there are four (4) Undersecretary groups with unique areas of responsibility: The Undersecretary for Administrative and Fiscal Affairs group is responsible for the Administrative and Fiscal Affairs of the Cabinet. The Undersecretary for Health group is responsible for the Department for Medicaid Services, Department for Public Health, Department for Mental Health/Mental Retardation Services and the Office of Certificate of Need. The Undersecretary for Human Services group is responsible for the Department for Disability Determination Services, Office of the Ombudsman and Department for Human Support Services. The Undersecretary for Children and Family Services is responsible for the Department for Community Based Services and Commission for Children with Special Health Care Needs.

The Office of Legal Services provides legal advice and assistance to all units of the Cabinet in any legal action in which it may be involved. This office provides legal representation for the Cabinet in federal courts, state courts, and before quasi-judicial and administrative bodies; administers all personal service contracts of the Cabinet for legal services; assists in drafting and reviewing legislation, regulations, statutes, and other legal documents and instruments; and provides the Secretary, Commissioners, and Directors in the Cabinet with the legal advice and representation necessary for them to properly administer the Cabinet's programs.

The Office of Legislative and Public Affairs is responsible for providing qualified administrative law judges/hearing officials to conduct administrative hearings related to Cabinet matters, overseeing and monitoring legislative activities, and representing the Cabinet in matters of public information, including media inquiries, open records requests, press releases, public relations, and internal communications.

The Office of Fiscal Affairs provides overall administrative and support including the designing, coordinating and documenting all activities related to budget; reporting and management analysis; providing and tracking accounting and payment services, including travel, for the Cabinet; filing required financial reports; responding to audits of the Cabinet's programs; maintaining the maintenance and security of the accounting systems; monitoring all leased facilities of the Cabinet, including space design and utilization, insurance, on-site facility inspections, general maintenance and construction for the Cabinet's six state-owned properties; preparation and maintenance of the Cabinet's 6-Year Capital Plan; coordinating, tracking and monitoring capital construction projects; and maintaining and reporting the inventory of physical assets including record retention.

The Office of Technology is responsible for providing strategic direction and oversight of technology resources for the Cabinet, including technical support services, system security, statewide system services, the monitoring of technology purchase requests and other technology-related services and initiatives. The Office is also responsible for maintaining high quality technology, managing and maintaining the Cabinet's network, installing and supporting voice communication systems, and supervising the development, operation, and security of the extensive statewide application systems that support direct delivery of statewide services.

The Office of Human Resource Management serves all Cabinet employees and programs and provides payroll and health benefits administration, equal employment opportunity compliance, and professional development and training activities. This Office serves as the Cabinet's appointing authority and performs all the duties, responsibilities and functions required to maintain an effective and efficient personnel management system in accordance with the Kentucky Revised Statutes, Kentucky Administrative Regulations and the policy guidelines of the Secretary of the Cabinet.

The Office of Contract Oversight is responsible for monitoring Cabinet contracts, overseeing the procurement process, providing technical support to Cabinet staff in procurement and contracting procedures, and ensuring compliance with statutes, regulations, policy, and procedures related to procurement and contracting.

Policy

General Funds of \$354,000 are provided in fiscal year 2005-2006 for debt service for the Safeguarding Children at Risk project also known as The Workers Information System (TWIST) and the Child Support Enforcement Kentucky Automated Support Enforcement System or the KASES project . The enacted budget includes General Funds of \$1,000,000 in fiscal year 2004-2005 and \$6,000,000 in FY 2005-2006 for the Kentucky Automated Eligibility System (KAMES). The enacted budget includes fund transfers of \$169,100 in fiscal year 2004-2005.

**Health and Family Services Cabinet
General Administration and Program Support
Inspector General**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	5,304,300	5,341,000	6,300,900	6,300,900
Total General Fund	5,304,300	5,341,000	6,300,900	6,300,900
Restricted Funds				
Balance Forward	1,475,900	1,007,500	1,730,000	1,007,500
Current Receipts	1,749,000	1,749,000	1,322,700	899,500
Total Restricted Funds	3,224,900	2,756,500	3,052,700	1,907,000
Federal Funds				
Balance Forward			138,600	
Current Receipts	12,000,100	12,898,700	12,503,900	12,642,500
Total Federal Funds	12,000,100	12,898,700	12,642,500	12,642,500
TOTAL SOURCE OF FUNDS	20,529,300	20,996,200	21,996,100	20,850,400
EXPENDITURES BY CLASS				
Personnel Cost	16,133,900	17,506,800	18,202,700	17,379,400
Operating Expenses	3,187,900	3,048,400	2,585,900	3,271,000
Grants, Loans or Benefits	200,000	200,000	200,000	200,000
TOTAL EXPENDITURES	19,521,800	20,755,200	20,988,600	20,850,400
EXPENDITURES BY FUND SOURCE				
General Fund	5,304,300	5,341,000	6,300,900	6,300,900
Restricted Funds	2,217,400	2,515,500	2,045,200	1,907,000
Federal Funds	12,000,100	12,898,700	12,642,500	12,642,500
TOTAL EXPENDITURES	19,521,800	20,755,200	20,988,600	20,850,400

The Office of the Inspector General has five divisions: the Division of Audits and Detection, the Division of Special Investigations, the Division of Regulated Child Care, the Division of Fraud, Waste and Abuse/Identification and Prevention, and the Division of Health Care Facilities and Services. The general authority for the Office of the Inspector General is codified within KRS 194A.030(6).

The Division of Audits and Detection (DOAD) examine Cabinet programs to assess contractor compliance with state and federal laws and regulations. In accordance with KRS 194A.030(6), the Division is responsible for the conduct of audits of programs within the Cabinet for Health and Family Services, their grantees and contractors. These include audits of nursing homes, home health agencies, Mental Health/Mental Retardation Boards, primary care centers, psychiatric hospitals, adult day care facilities, spouse abuse centers, child care centers, the Supports for Community Living Program, community action agencies, and child support programs. The DOAD also conducts preliminary investigations of alleged fraud and abuse, which are received over the Medicaid fraud hotline (mandated by KRS 205.8483 and 42 CFR 455) and other Medicaid fraud referrals. DOAD also acts as an independent appraisal function within the Cabinet to examine and evaluate its financial and management activities.

The Division of Special Investigations conducts investigations to detect fraud or abuse of any program by any client, or by any vendor of services with whom the Cabinet has contracted. It conducts special investigations requested by the secretary, commissioners, or agency heads into matters related to the Cabinet and its programs. The Division notifies and forwards any information relevant to possible criminal violations to the appropriate prosecuting authority. The Division operates a toll-free welfare and Medicaid fraud and abuse hotline, conducts investigations of Women, Infants, and Children (WIC) program vendors, and collects and reports data on assistance program fraud investigations by the Office of the Inspector General and the Office of the Attorney General.

The Division of Regulated Child Care is charged with the licensing of certified Family Care homes, licensed day care centers (Type I and II), child caring facilities, child-placing agencies, and private adoptive service agencies. This includes initial licensure surveys, yearly re-licensure surveys, and complaint surveys. The division also rates child care centers as part of the voluntary STARS for KIDS NOW quality initiative.

The Division of Fraud, Waste and Abuse/Identification and Prevention is responsible for planning, developing, and directing agency efforts to identify and prevent fraud, waste and abuse in the Medicaid program, and all other assistance programs administered by the Cabinet for Health and Family Services. The Division is responsible for Medicaid and health care provider, and Medicaid and welfare recipient, surveillance and utilization review, and notification on all issues of administrative compliance and enforcement, including recovery of funds. The Division is responsible for administering the enhanced KASPER (Kentucky All Schedule Prescription Enforcement Reporting) system by fully utilizing this database for all purposes under the law and maximizing the potential for this monitoring system. The Division is also responsible for specialized regulatory enforcement matters involving the dispensing of controlled substances in the Commonwealth, and policy analysis for recommendations to the respective programs within the Cabinet.

The Division of Health Care Facilities and Services conducts on-site inspections of all health facilities and Services throughout the state (including over 2,600 laboratories) to determine compliance with state licensing standards and federal Medicare and Medicaid certification requirements. The Division also investigates allegations of abuse and neglect that may occur in a licensed health facility.

**Health and Family Services Cabinet
Ombudsman**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation			3,767,200	3,767,200
Total General Fund			3,767,200	3,767,200
Restricted Funds				
Current Receipts			400,000	400,000
Total Restricted Funds			400,000	400,000
Federal Funds				
Current Receipts			2,612,200	2,612,200
Total Federal Funds			2,612,200	2,612,200
TOTAL SOURCE OF FUNDS			6,779,400	6,779,400
EXPENDITURES BY CLASS				
Personnel Cost			6,005,700	6,016,600
Operating Expenses			773,700	762,800
TOTAL EXPENDITURES			6,779,400	6,779,400
EXPENDITURES BY FUND SOURCE				
General Fund			3,767,200	3,767,200
Restricted Funds			400,000	400,000
Federal Funds			2,612,200	2,612,200
TOTAL EXPENDITURES			6,779,400	6,779,400

The Office of the Ombudsman consists of the Complaint Review Branch, the Quality Control Branch, the Performance Enhancement Branch, the Long Term Care Ombudsman Program and the Institutional Review Board.

The Complaint Review Branch handles calls and correspondence concerning programs under the Department for Community Based Services, the Department for Medicaid Services, Department for Mental Health/Mental Retardation Services and the Department for Public Health. The Branch issues reports to these agencies concerning complaint trends and patters and recommends corrective action.

The Quality Control Branch consists of two sections, the Public Assistance Review Section and the Food Stamp Review Section.

The Public Assistance Review Section conducts statewide Medicaid Quality Control reviews to comply with state and federal Medicaid Quality Control Standards. Reviews include Kentucky Works Program (KWP) cases, Medicaid and adult medical cases. Reports are prepared for the federal government, the Cabinet, the Department for Community Based Services and the Department of Medicaid Services.

The Food Stamp Review Section conducts Food Stamp Quality Control reviews, provide information to the federal government, the Cabinet and the Department for Community Based Services and prepare the annual state Food Stamp Quality Control sampling plan.

The Performance Enhancement Branch consists of three sections, the Quality Assurance Section, the Management Evaluation Section, and the Program Access and Compliance Section.

The Quality Assurance Section determines Administrative Hearing eligibility of Department for Community Based Services/Division of Protection & Permanency service complaints and requests to appeal child abuse and/or child neglect substantiation and monitor and maintain the process and official files for such complaints and appeals. This section also coordinates, conducts, analyzes and issues reports on the Kentucky Child and Family Services Review (KY-CFSR) in accordance with the federally mandated Program Improvement Plan (PIP). The section coordinates record keeping for the CQI Peer Review process within Protection & Permanency.

The Management Evaluation Section conducts federal management evaluation reviews for the Food Stamp program. This section assists in writing county and regional corrective action plans and conducts exit conferences with field staff in all Kentucky counties. This section also prepares the federal food stamp corrective action state plan and ensures continuous error identifications and revises local and regional plans accordingly.

The Program Access and Compliance Section performs federally Mandated Food Stamp Access reviews of local offices to insure they comply with regulations to provide eligible clients access to services. Follow-up and exit interviews are conducted in each office. This section also seeks to identify potential barriers, works to resolve those problems and implements corrective action and continuous monitoring.

The Kentucky Long-Term Care Ombudsmen Program identifies, investigates and helps resolve complaints made by or on behalf of residents of long-term care facilities (including nursing homes, personal care homes and family care homes). The Long-Term Care Ombudsmen also advocates for changes to improve residents' quality of life and care.

**Health and Family Services Cabinet
Comm for Children with Special Health Care Needs**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	6,180,400	6,948,600	5,490,500	5,490,500
Total General Fund	6,180,400	6,948,600	5,490,500	5,490,500
Tobacco Settlement-Phase I				
Tobacco Settlement - I	555,000	555,000	455,000	455,000
Continuing Appropriation	24,600	24,600	43,900	
Fund Transfers			-43,900	
Total Tobacco Settlement-Phase I	579,600	579,600	455,000	455,000
Restricted Funds				
Balance Forward			357,700	
Current Receipts	4,890,100	4,916,100	4,728,300	4,666,000
Fund Transfers			-446,000	
Total Restricted Funds	4,890,100	4,916,100	4,640,000	4,666,000
Federal Funds				
Balance Forward			103,700	
Current Receipts	4,613,000	4,587,000	4,509,300	4,587,000
Total Federal Funds	4,613,000	4,587,000	4,613,000	4,587,000
TOTAL SOURCE OF FUNDS	16,263,100	17,031,300	15,198,500	15,198,500
EXPENDITURES BY CLASS				
Personnel Cost	10,282,200	11,050,400	9,139,900	9,412,700
Operating Expenses	1,586,700	1,586,700	1,586,800	1,584,700
Grants, Loans or Benefits	4,369,600	4,369,600	4,440,200	4,201,100
Capital Outlay			31,600	
TOTAL EXPENDITURES	16,238,500	17,006,700	15,198,500	15,198,500
EXPENDITURES BY FUND SOURCE				
General Fund	6,180,400	6,948,600	5,490,500	5,490,500
Tobacco Settlement-Phase I	555,000	555,000	455,000	455,000
Restricted Funds	4,890,100	4,916,100	4,640,000	4,666,000
Federal Funds	4,613,000	4,587,000	4,613,000	4,587,000
TOTAL EXPENDITURES	16,238,500	17,006,700	15,198,500	15,198,500

The Commission for Children with Special Health Care Needs has over 75 years experience in providing care for children with a variety of special needs. Through the years, the Commission has evolved from providing surgeries for "crippled children" to offering comprehensive medical care for children with a range of complex needs. A family-centered approach ensures that the family is valued as an integral part of the care plan and services are provided to assist the family in meeting children's needs.

The Commission is charged with planning, developing, providing, and evaluating the public statewide system of care for children with special health care needs and providing early intervention services pursuant to:

- KRS 200.460 to 200.499: authorizes the Commission's functions;
- 902 KAR 4:070: the Commission's regulatory authority;
- KRS 200.550 and 200.560: authorizes the Hemophilia program;

- 911 KAR 1:080 SSI: Children's Support Services (SSI/CSS) mandated by the Maternal and Child Health Block Grant authorized at the federal level by Title V of the Social Security Act;
- 911 KAR 1:085: Universal Newborn Screening Grant Program.

The Commission for Children with Special Health Care Needs works collaboratively with other agencies to assure services to children with disabilities are comprehensive, community-based, family-centered, and coordinated, thus avoiding duplication and fragmentation of the service delivery system. Accessibility is a key component of the delivery system.

The family's financial status plays a role in determining whether the child is accepted into the Children with Special Health Care Needs Program and the Hemophilia Program. All families with incomes at 200 percent of the federal poverty level are accepted. A sliding fee scale based on income and number in household determines what percentage of the cost each family pays for treatment. Individuals who fall outside the program's income guidelines can also receive services through the Commission if they reside in medically under-served areas of the state, though the family is required to reimburse the Commission for treatment costs. This allows the Commission to further assist in communities where specialized medical care is unavailable.

The Commission has several ongoing initiatives. These include: the implementation of a Care Coordination and Quality Management Model for the agency's clinical programs, the CHAMPIONS Grant (to increase parental involvement), Universal Newborn Hearing Screening (UNHS), and other collaborations with community and statewide partners. The Commission also operates VISION, a vision examination program that is part of the Early Childhood Development program.

**Health and Family Services Cabinet
Medicaid Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	933,788,000	1,055,133,000	872,432,500	942,462,500
Total General Fund	933,788,000	1,055,133,000	872,432,500	942,462,500
Restricted Funds				
Balance Forward			2,603,200	
Current Receipts	197,876,600	156,092,600	249,762,400	183,919,000
Non-Revenue Receipts	204,316,300	207,247,000	214,140,400	211,147,000
Total Restricted Funds	402,192,900	363,339,600	466,506,000	395,066,000
Federal Funds				
Balance Forward			35,892,500	
Current Receipts	3,085,056,000	3,255,919,400	3,059,657,700	2,968,490,600
Non-Revenue Receipts	-23,839,900	-23,839,900	-23,839,900	-23,839,900
Total Federal Funds	3,061,216,100	3,232,079,500	3,071,710,300	2,944,650,700
TOTAL SOURCE OF FUNDS	4,397,197,000	4,650,552,100	4,410,648,800	4,282,179,200
EXPENDITURES BY CLASS				
Personnel Cost	62,843,200	63,828,900	58,503,300	58,503,300
Operating Expenses	2,316,900	2,316,900	1,934,400	1,934,400
Grants, Loans or Benefits	4,332,036,900	4,584,406,300	4,350,211,100	4,221,741,500
TOTAL EXPENDITURES	4,397,197,000	4,650,552,100	4,410,648,800	4,282,179,200
EXPENDITURES BY FUND SOURCE				
General Fund	933,788,000	1,055,133,000	872,432,500	942,462,500
Restricted Funds	402,192,900	363,339,600	466,506,000	395,066,000
Federal Funds	3,061,216,100	3,232,079,500	3,071,710,300	2,944,650,700
TOTAL EXPENDITURES	4,397,197,000	4,650,552,100	4,410,648,800	4,282,179,200
EXPENDITURES BY UNIT				
Administration	85,162,100	87,678,500	76,348,600	76,348,600
Benefits	4,312,034,900	4,562,873,600	4,334,300,200	4,205,830,600
TOTAL EXPENDITURES	4,397,197,000	4,650,552,100	4,410,648,800	4,282,179,200

Two major programs operate within the Department for Medicaid Services: the Kentucky Medical Assistance Program (regular Medicaid program) and the Kentucky Children's Health Insurance program (K-CHIP).

The Medical Assistance program pays providers for health care they provide to medically indigent Kentuckians. Eligibility for services is determined by staff in county Department for Community Based Services offices. Persons may also automatically qualify for benefits if they are eligible for Supplemental Security Income benefits administered by the Social Security Administration.

K-CHIP provides for comprehensive physical and behavioral health services for uninsured children who are not eligible for Medicaid up to 200% of the federal poverty level.

**Health and Family Services Cabinet
Medicaid Services
Administration**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	18,911,200	20,160,600	17,067,000	17,067,000
Total General Fund	18,911,200	20,160,600	17,067,000	17,067,000
Restricted Funds				
Non-Revenue Receipts	20,806,000	20,806,000	18,306,000	18,306,000
Total Restricted Funds	20,806,000	20,806,000	18,306,000	18,306,000
Federal Funds				
Balance Forward			169,200	
Current Receipts	69,284,800	70,551,800	64,646,300	64,815,500
Non-Revenue Receipts	-23,839,900	-23,839,900	-23,839,900	-23,839,900
Total Federal Funds	45,444,900	46,711,900	40,975,600	40,975,600
TOTAL SOURCE OF FUNDS	85,162,100	87,678,500	76,348,600	76,348,600
EXPENDITURES BY CLASS				
Personnel Cost	62,843,200	63,828,900	58,503,300	58,503,300
Operating Expenses	2,316,900	2,316,900	1,934,400	1,934,400
Grants, Loans or Benefits	20,002,000	21,532,700	15,910,900	15,910,900
TOTAL EXPENDITURES	85,162,100	87,678,500	76,348,600	76,348,600
EXPENDITURES BY FUND SOURCE				
General Fund	18,911,200	20,160,600	17,067,000	17,067,000
Restricted Funds	20,806,000	20,806,000	18,306,000	18,306,000
Federal Funds	45,444,900	46,711,900	40,975,600	40,975,600
TOTAL EXPENDITURES	85,162,100	87,678,500	76,348,600	76,348,600
EXPENDITURES BY UNIT				
Medical Assistance Administration	83,784,500	86,271,900	74,995,800	74,995,800
KCHIP Administration	1,377,600	1,406,600	1,352,800	1,352,800
TOTAL EXPENDITURES	85,162,100	87,678,500	76,348,600	76,348,600

Administrative functions of the Medicaid program and the Kentucky Children's Health Insurance Program (KCHIP) include: determining the eligibility of applicants, formulating policy, processing claims, utilization management, recoupment of monies from liable third parties, collecting overpayments and cost reimbursement. Claims are paid through a fiscal agent contract and pharmacy benefits administrator. The Medicaid program contracts for medical review of acute care admissions, level of care determinations for long-term care patients, and review care of recipients in mental hospitals and psychiatric facilities. The Department for Community Based Services performs the eligibility determination function through contract.

The Department also administers KCHIP, the Kentucky Children's Health Insurance Program. This program provides health care services for uninsured children with family incomes below 200 percent of the federal poverty level. There is a daily average of 49,500 children enrolled in KCHIP.

Policy

The enacted budget includes a General Fund appropriation of \$112,500 in each fiscal year for a Medicaid fraud detection contract with the Office of the Attorney General.

**Health and Family Services Cabinet
Medicaid Services
Benefits**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	914,876,800	1,034,972,400	855,365,500	925,395,500
Total General Fund	914,876,800	1,034,972,400	855,365,500	925,395,500
Restricted Funds				
Balance Forward			2,603,200	
Current Receipts	197,876,600	156,092,600	249,762,400	183,919,000
Non-Revenue Receipts	183,510,300	186,441,000	195,834,400	192,841,000
Total Restricted Funds	381,386,900	342,533,600	448,200,000	376,760,000
Federal Funds				
Balance Forward			35,723,300	
Current Receipts	3,015,771,200	3,185,367,600	2,995,011,400	2,903,675,100
Total Federal Funds	3,015,771,200	3,185,367,600	3,030,734,700	2,903,675,100
TOTAL SOURCE OF FUNDS	4,312,034,900	4,562,873,600	4,334,300,200	4,205,830,600
EXPENDITURES BY CLASS				
Grants, Loans or Benefits	4,312,034,900	4,562,873,600	4,334,300,200	4,205,830,600
TOTAL EXPENDITURES	4,312,034,900	4,562,873,600	4,334,300,200	4,205,830,600
EXPENDITURES BY FUND SOURCE				
General Fund	914,876,800	1,034,972,400	855,365,500	925,395,500
Restricted Funds	381,386,900	342,533,600	448,200,000	376,760,000
Federal Funds	3,015,771,200	3,185,367,600	3,030,734,700	2,903,675,100
TOTAL EXPENDITURES	4,312,034,900	4,562,873,600	4,334,300,200	4,205,830,600
EXPENDITURES BY UNIT				
Medicaid Benefits	4,208,399,400	4,449,391,100	4,230,664,700	4,092,348,100
KCHIP Benefits	103,635,500	113,482,500	103,635,500	113,482,500
TOTAL EXPENDITURES	4,312,034,900	4,562,873,600	4,334,300,200	4,205,830,600

The Kentucky Medicaid program, under Title XIX of the Social Security Act and KRS 205.520, provides for preventive and remedial medical care for financially and medically indigent citizens in Kentucky who meet the income and resource criteria for eligibility. The following services are currently provided by Kentucky's Medicaid program: inpatient hospital, physician services, nursing facility services, outpatient hospital, home health, family planning, screening, lab, dental, transportation (both non-emergency and emergency), vision care, hearing care, intermediate care facilities for the mentally retarded (ICF/MR), pharmacy, Medicare premiums, community mental health, mental hospitals, psychiatric residential treatment facilities, renal dialysis services, primary care/rural health, podiatry, alternative intermediate services for mentally retarded (Supports for Community Living), ambulatory surgical centers, home and community-based waiver (HCBS), adult day care, nurse midwife, nurse anesthetist, Hospice, preventive services, targeted case management, school-based services, home-based services for children who are ventilator dependent, durable medical equipment, portable x-ray, nurse practitioners, chiropractor, and other medically necessary diagnostic and treatment services for children in the Early Periodic Screening Diagnostic and Treatment Program (EPSDT). In addition, qualified Medicare beneficiaries receive the following services: physical therapy, occupational therapy, psychological, licensed clinical social worker, physician assistant and comprehensive outpatient rehabilitative facility services.

Kentucky Medical Assistance Program (KMAP) Recipient Groups

Persons who are eligible for KMAP benefits are classified into two groups: those who already qualify for some type of financial assistance due to eligibility for another program (categorically eligible) and those eligible for medical assistance only (medically needy).

Categorically Eligible: Persons in this group receive grant money from Temporary Assistance to Needy Families (TANF), State Supplementation, or the Supplemental Security Income (SSI) programs. Within this group are the following categories of people: needy families with dependent children; foster care children; adults 65 years of age or older with income below eligibility criteria; the needy blind; and the needy permanently and totally disabled. Any SSI or State Supplementation recipient as well as individuals who meet the technical and financial requirements of the Aid to Families with Dependent Children (AFDC) program as it existed on July 16, 1996, can qualify for Medicaid.

Medically Needy: Persons in this group have incomes or resources above the established level to qualify for financial assistance to meet basic needs, but have insufficient income to meet all or part of their medical needs. This group includes: pregnant women and infants with household income of less than 185 percent of the Federal Poverty Level (FPL); children under age six with household income under 133 percent of FPL; and children, ages six (6) to nineteen (19) in families with income not exceeding 100 percent of the FPL.

2004 Poverty Guidelines	
<u>Family Size</u>	<u>Monthly Income</u>
1	\$776
2	\$1,041
3	\$1,306
4	\$1,571
5	\$1,836
6	\$2,101
7	\$2,366
8	\$2,631

Although the aged, blind, and disabled (both categorically and medically needy) represent only 43 percent of the recipient population, they account for approximately 69 percent of expenditures. The recommended budget assumes average monthly Medicaid eligibles of 658,854 in fiscal year 2005 and 681,925 in fiscal year 2006, and 50,000 each year for KCHIP eligibles.

Projecting Benefits Cost

Several forecasting models were combined in the preparation of the Medicaid Benefits projections. Both the Office of State Budget Director (OSBD) and the Department for Medicaid Services (DMS) prepared service-by-service cash forecasts. These forecasts examine past trends in categorical spending to generate projections for future cash expenditures for each classification of medical service (the hypothesis is that the best predictor of future expenditures is past expenditures – adjusted for policy changes). In addition to the cash models, the DMS and the OSBD operate a more elaborate proprietary model developed by a third-party consulting firm, PriceWaterhouseCoopers (PWC). That model includes a separate forecast of eligibility for each class of Medicaid recipient: Aged, Blind, Disabled; TANF/SOBRA children (with and without Medicaid); TANF/SOBRA adults (with and without Medicare); categorical eligibility associated with foster care; and a residual category for all other eligibility categories. Eligibility is used to transform the expenditure data into a “cost per eligible” for seven bundles of Medicaid services.

Provider Taxes

Although the majority of the funds that the Commonwealth uses to match federal Medicaid dollars are derived from the General Fund, approximately 14 percent of the program’s fiscal year 2005 expenditure match will be secured from dedicated provider assessments. The assessments are levied on hospitals, home health agencies, alternative community services, and long-term care facilities. This budget includes language for expansion of these assessments for Community Mental Health Centers (CMHC’s) and Psychiatric Residential Treatment Facilities (PRTF’s), and the Passport managed care organization.

Disproportionate Share Hospital (DSH) Payments

The Governor’s recommended budget includes funding for the Disproportionate Share Hospital (DSH) payments of \$195,233,300 in fiscal year 2005 and in fiscal year 2006. Disproportionate share hospital payments to state mental hospitals are budgeted at approximately \$34.6 million in each year of the biennium. This budget includes match from the university teaching hospitals in order to access the portion of DSH funds for those facilities.

Passport Managed Care Plan

The Governor’s recommended budget assumes that the Region Three (Jefferson and surrounding counties) Medicaid managed care partnership will continue to operate. Other areas of the state are expected to operate under managed care provisions as

allowed under the federal Balanced Budget Act of 1997, utilizing a case management model of managed care (Kentucky patient Access to Care Program, or KenPAC).

Benefit Match Rate

The Governor's recommended budget assumes a federal medical assistance percentage (FMAP) of 69.60% for state fiscal year 2005 and 69.26% for state fiscal year 2006. The federal Medicaid match rate assumed for KCHIP is 78.72% in fiscal year 2005 and 78.48% percent in fiscal year 2006.

Quality and Charity Care Trust Fund

To the extent that all parties agree, the General Fund appropriation of the Quality and Charity Care Trust Fund may be transferred to the Department for Medicaid Services Benefits.

Kentucky Children's Health Insurance Program (KCHIP)

The Kentucky Children's Health Insurance program was initiated under Title XXI of the Social Security Act and serves eligible children up to 200 percent of the federal poverty level.

The Governor's recommended budget funds KCHIP at a total of \$103,635,500 in fiscal year 2005 (55,188 children) and \$113,482,500 in fiscal year 2006 (58,584 children). The budget anticipates the continued spend-down of state funds from the "Kentucky Children's Health Insurance Program Trust Fund" as established in KRS 205.6478. Additionally, because Kentucky has been so successful in its KCHIP implementation, it received \$190 million reallocated from other states' 1998, 1999, and 2000 unspent CHIP allocations. This would carry Kentucky's CHIP program through the 2004-2006 biennium. However, as other states' CHIP programs accelerate, there will be fewer funds available for reallocation in future periods, which could leave Kentucky's CHIP program seriously underfunded in future biennia.

Policy

The enacted budget assumes a series of actions to bring Medicaid Benefits expenditures in line with available revenues. Increases in eligibles and utilization continue to drive up program costs. Much of this increase has resulted from the continued sluggishness of the economy, sharp increases in medical inflation, and the increased number of persons with long term care needs such as the elderly and disabled. The Health and Family Services Cabinet has implemented cost saving and revenue generating measures to assist in balancing this budget. This budget includes additional actions, which upon full implementation are expected to generate savings of over \$500 million over the biennium. The governor recommended and the legislature approved a General Fund increase of \$161 million in fiscal year 2005-2006. Notwithstanding the additional funds and the program changes already announced, the enacted budget will require the Cabinet to further reduce expenditures by approximately \$250 million through additional program changes. These figures presume no delays in implementation timelines, no further increase in eligibles and no federal program changes that would limit savings or revenue enhancement opportunities.

The enacted budget includes \$5,000,000 restricted funds and \$11,313,200 federal funds in fiscal year 2005-2006 from enhanced fraud and abuse recoveries from the Office of the Attorney General.

The enacted budget provides additional funds totaling \$3,302,500 (75 slots) in fiscal year 2005 and \$8,223,700 (150 slots) in fiscal year 2006 to continue the rollout of the Supports for Community Living Program.

The enacted budget continues to support the Breast and Cervical Cancer Treatment waiver program.

The enacted budget includes additional restricted and federal funds of \$900,000 in fiscal year 2005 and \$1,000,000 in fiscal year 2006 to support the Acquired Brain Injury Waiver program.

The enacted budget includes a \$300,000 restricted funds transfer from the Emergency Medical Services Board to support an ambulance fee increase. This transfer plus an additional \$300,000 restricted funds from Medicaid will allow the department to draw \$1,351,800 in federal funds.

**Health and Family Services Cabinet
Mental Health/Mental Retardation Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	205,876,500	229,799,400	166,535,000	166,373,700
Total General Fund	205,876,500	229,799,400	166,535,000	166,373,700
Tobacco Settlement-Phase I				
Tobacco Settlement - I	1,000,000	1,000,000	900,000	900,000
Continuing Appropriation	22,900	22,900		
Total Tobacco Settlement-Phase I	1,022,900	1,022,900	900,000	900,000
Restricted Funds				
Balance Forward			7,517,100	
Current Receipts	146,286,600	148,196,300	146,286,600	143,475,900
Non-Revenue Receipts	36,065,600	36,888,200	35,754,700	36,862,600
Fund Transfers			-4,438,600	
Total Restricted Funds	182,352,200	185,084,500	185,119,800	180,338,500
Federal Funds				
Balance Forward			6,300	
Current Receipts	41,066,200	39,415,700	42,273,200	42,802,500
Non-Revenue Receipts	17,800	38,600		
Total Federal Funds	41,084,000	39,454,300	42,279,500	42,802,500
TOTAL SOURCE OF FUNDS	430,335,600	455,361,100	394,834,300	390,414,700
EXPENDITURES BY CLASS				
Personnel Cost	153,683,000	163,697,100	135,948,100	138,141,300
Operating Expenses	37,590,800	41,110,800	23,920,100	30,261,000
Grants, Loans or Benefits	238,687,400	246,169,800	234,801,300	221,576,900
Debt Service		4,135,000		210,000
Capital Outlay	351,500	225,500	164,800	225,500
TOTAL EXPENDITURES	430,312,700	455,338,200	394,834,300	390,414,700
EXPENDITURES BY FUND SOURCE				
General Fund	205,876,500	229,799,400	166,535,000	166,373,700
Tobacco Settlement-Phase I	1,000,000	1,000,000	900,000	900,000
Restricted Funds	182,352,200	185,084,500	185,119,800	180,338,500
Federal Funds	41,084,000	39,454,300	42,279,500	42,802,500
TOTAL EXPENDITURES	430,312,700	455,338,200	394,834,300	390,414,700
EXPENDITURES BY UNIT				
Community Mental Health Services	127,304,300	128,992,800	114,283,500	118,637,900
Community Mental Retardation Services	30,935,400	31,107,600	28,499,000	28,910,100
General Mental Health/Mental Retardation Support	34,643,100	42,087,900	27,753,000	29,895,200
Residential Mental Health/Mental Retardation	237,429,900	253,149,900	224,298,800	212,971,500
TOTAL EXPENDITURES	430,312,700	455,338,200	394,834,300	390,414,700

The Department for Mental Health/Mental Retardation Services operates mental health, mental retardation, substance abuse, developmental disability and brain injury programs. Services are provided in the community and in state-owned, state-operated, or contracted residential facilities. Approximately 1,300 individuals are cared for daily in state facilities, and over 100 more are cared for in residential programs operated through contracts. Several thousand are treated as outpatients in community mental health centers operated by 14 regional Community Mental Health/Mental Retardation Boards.

**Health and Family Services Cabinet
Mental Health/Mental Retardation Services
Community Mental Health Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	54,010,700	56,568,000	45,940,500	43,714,100
Total General Fund	54,010,700	56,568,000	45,940,500	43,714,100
Tobacco Settlement-Phase I				
Tobacco Settlement - I	1,000,000	1,000,000	900,000	900,000
Continuing Appropriation	22,900	22,900		
Total Tobacco Settlement-Phase I	1,022,900	1,022,900	900,000	900,000
Restricted Funds				
Balance Forward			952,400	
Current Receipts	1,460,000	1,460,000	1,460,000	1,460,000
Non-Revenue Receipts	34,043,300	34,851,200	27,443,300	34,851,200
Total Restricted Funds	35,503,300	36,311,200	29,855,700	36,311,200
Federal Funds				
Current Receipts	36,790,300	35,113,600	37,587,300	37,712,600
Total Federal Funds	36,790,300	35,113,600	37,587,300	37,712,600
TOTAL SOURCE OF FUNDS	127,327,200	129,015,700	114,283,500	118,637,900
EXPENDITURES BY CLASS				
Personnel Cost	6,633,100	6,667,500	6,479,400	5,989,900
Operating Expenses	562,900	546,900	536,700	519,700
Grants, Loans or Benefits	120,108,300	121,778,400	107,267,400	112,128,300
TOTAL EXPENDITURES	127,304,300	128,992,800	114,283,500	118,637,900
EXPENDITURES BY FUND SOURCE				
General Fund	54,010,700	56,568,000	45,940,500	43,714,100
Tobacco Settlement-Phase I	1,000,000	1,000,000	900,000	900,000
Restricted Funds	35,503,300	36,311,200	29,855,700	36,311,200
Federal Funds	36,790,300	35,113,600	37,587,300	37,712,600
TOTAL EXPENDITURES	127,304,300	128,992,800	114,283,500	118,637,900

Community Mental Health Services

Community Mental Health Services provides Kentuckians with mental health problems the services and support they need to improve their ability to function in the community. The Department contracts with 14 regional Mental Health/Mental Retardation Boards that oversee the Community Mental Health Centers as well as other local entities. In addition, Community Mental Health Services has targeted funds to the most vulnerable. These are:

- Adults with severe mental illness (KRS 210, KRS 202A);
- Children and youth with severe emotional disabilities (KRS 200.500 to KRS 200.509);
- Victims and perpetrators of sexual abuse or domestic violence (908KAR 2.070); and
- Persons having acquired traumatic brain injury (KRS 211.470 to KRS 211.478).

In accordance with KRS 210.410, community mental health centers (CMHCs) must provide persons with mental health problems with specific services such as: consultation and educational services to help individuals understand their illnesses and treatment options; therapeutic rehabilitation programs, where individuals with mental illness may receive services to assist them to live independently within the community; outpatient services; emergency services; and inpatient services, which are generally made available through referrals to state or community hospitals.

State and federal funds are used to provide case management services, psychotropic medications, and housing and vocational support services for adults with severe mental illness. Funds are also provided for unique services that “wrap around” a child or adult who is at risk of psychiatric hospitalization. These funds are used to purchase goods and services that are individualized and can include peer mentoring, respite, and social skills training. To address the staggering impact of sexual or domestic violence on the mental health of its victims, treatment services for victims and perpetrators, along with rape crisis services, have been implemented through 13 rape crisis centers. Each center serves approximately nine counties.

The Community Mental Health program assists in statewide mental health planning, monitors services, provides technical assistance and training, and procures and administers federal and other funds for the mental health community.

The mission of the Brain Injury Services unit is to develop comprehensive services and support to persons with acquired brain injuries and their families. The Brain Injury Services unit administers the programmatic aspects of the Medicaid Acquired Brain Injury Waiver Program and oversees the administration of the Traumatic Brain Injury Trust Fund. The Trust Fund receives a portion of fees imposed for violations of certain traffic laws and convictions for Driving Under the Influence (DUI) violations.

Community Alcohol and Drug Services

Community Alcohol and Drug Services provides quality treatment, prevention, and education services to citizens suffering from, or at-risk of, alcohol and drug addiction. Services are provided primarily through contracts with 14 regional Mental Health/Mental Retardation Boards that oversee the Community Mental Health Centers.

These substance abuse prevention and treatment services are provided pursuant to KRS Chapter 222 (Alcohol and Drug Education, Treatment, and Rehabilitation). The receipts from alcohol intoxication fines are received pursuant to KRS 431.100. Other statutes under which the program operates include: KRS 189A (Driving Under the Influence assessment, education, and treatment) and KRS 218A.410 (Drug Forfeiture).

The Department contracts with Community Mental Health Centers and their subcontractors, schools, local government agencies, and other community-based organizations to provide services which include: community prevention programming (offered through 16 Regional Prevention Centers); school-based student assistance programs; juvenile diversion programs; DUI assessment, education, and treatment programs; social setting detoxification centers, residential treatment centers, outpatient treatment and case management services; and specialized treatment services for pregnant women, women with dependent children, adolescents, and intravenous drug users. In addition, Opiate Replacement Therapy is available to opioid dependent persons who are at high risk for HIV/AIDS.

Policy

Included in the enacted budget is \$100,000 General Funds in fiscal year 2005-2006 for a Homelessness Prevention Pilot project.

**Health and Family Services Cabinet
Mental Health/Mental Retardation Services
Community Mental Retardation Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	25,772,000	25,882,500	23,185,000	23,031,700
Total General Fund	25,772,000	25,882,500	23,185,000	23,031,700
Restricted Funds				
Current Receipts	22,900	22,900	22,900	331,800
Non-Revenue Receipts	2,022,300	2,037,000	2,011,400	2,011,400
Total Restricted Funds	2,045,200	2,059,900	2,034,300	2,343,200
Federal Funds				
Current Receipts	3,100,400	3,126,600	3,279,700	3,535,200
Non-Revenue Receipts	17,800	38,600		
Total Federal Funds	3,118,200	3,165,200	3,279,700	3,535,200
TOTAL SOURCE OF FUNDS	30,935,400	31,107,600	28,499,000	28,910,100
EXPENDITURES BY CLASS				
Personnel Cost	3,481,400	3,653,500	3,250,300	3,149,300
Operating Expenses	786,400	786,400	851,300	781,300
Grants, Loans or Benefits	26,667,600	26,667,700	24,397,400	24,979,500
TOTAL EXPENDITURES	30,935,400	31,107,600	28,499,000	28,910,100
EXPENDITURES BY FUND SOURCE				
General Fund	25,772,000	25,882,500	23,185,000	23,031,700
Restricted Funds	2,045,200	2,059,900	2,034,300	2,343,200
Federal Funds	3,118,200	3,165,200	3,279,700	3,535,200
TOTAL EXPENDITURES	30,935,400	31,107,600	28,499,000	28,910,100
EXPENDITURES BY UNIT				
Local Mental Retardation Services	29,442,400	29,584,300	27,031,700	27,442,800
Ky Developmental Disability Council	1,493,000	1,523,300	1,467,300	1,467,300
TOTAL EXPENDITURES	30,935,400	31,107,600	28,499,000	28,910,100

Community Mental Retardation Services provides services and support to individuals with mental retardation and other developmental disabilities to help them live well within the greater community. Services are provided through contracts with the 14 Community Mental Health/Mental Retardation Boards, and for-profit and non-profit agencies which provide residential services, vocational training, and social support. Some of the residential services include support to family homes, group home placement, apartment living supervision, residence staffing, and help with other living arrangements. Individuals with disabilities have additional opportunities for self-determination through Supported Living grants, which help them to live as independently as possible in their homes and participate in the community to the fullest extent possible.

The Kentucky Council on Developmental Disabilities is administratively linked to Community Mental Retardation Services. The Council is made up of 26 members and includes consumers, parents, and local agency representatives appointed by the Governor (PL 106-402 and KRS 194.135). The Council promotes systems change, capacity building and advocacy for people with developmental disabilities. The Council on Developmental Disabilities represents the interests of approximately 110,000 Kentuckians who have developmental disabilities. The Council funds time-limited demonstration projects and engages in outreach activities to assist individuals with developmental disabilities and their families.

Policy

Included in the enacted budget is \$150,000 General Fund for a grant to Elizabethtown Communicare for a duplex in Washington County.

**Health and Family Services Cabinet
Mental Health/Mental Retardation Services
General Mental Health/Mental Retardation Support**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	34,643,100	42,087,900	27,753,000	29,753,000
Total General Fund	34,643,100	42,087,900	27,753,000	29,753,000
Federal Funds				
Current Receipts				142,200
Total Federal Funds				142,200
TOTAL SOURCE OF FUNDS	34,643,100	42,087,900	27,753,000	29,895,200
EXPENDITURES BY CLASS				
Personnel Cost	2,514,300	2,704,200	2,313,100	2,313,100
Operating Expenses	1,203,400	1,208,500	844,500	844,500
Grants, Loans or Benefits	30,925,400	34,040,200	24,595,400	26,737,600
Debt Service		4,135,000		
TOTAL EXPENDITURES	34,643,100	42,087,900	27,753,000	29,895,200
EXPENDITURES BY FUND SOURCE				
General Fund	34,643,100	42,087,900	27,753,000	29,753,000
Federal Funds				142,200
TOTAL EXPENDITURES	34,643,100	42,087,900	27,753,000	29,895,200

General Mental Health/Mental Retardation (MH/MR) Support includes the Commissioner's Office, the Division of Administration and Financial Management, and Community Care Grants. This unit's activities include policy and budget development, program monitoring, standards development, and management decision-making for the overall direction of the Department. The Department contracts with the University of Kentucky for technical and information support services.

The Community Care Grants provide the funding for the "safety net" for individuals needing mental health, mental retardation, and substance abuse services, and the infrastructure that supports and provides these services. Kentucky Revised Statute 210.420 sets the distribution formula for these funds to local community mental health centers. Local boards determine which program areas and which services will be funded based on local needs.

Policy

Included in the enacted budget is \$2,000,000 General Fund in fiscal year 2005-2006 to increase funding to local Community Mental Health Centers through Community Care grants.

**Health and Family Services Cabinet
Mental Health/Mental Retardation Services
Residential Mental Health/Mental Retardation**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	91,450,700	105,261,000	69,656,500	69,874,900
Total General Fund	91,450,700	105,261,000	69,656,500	69,874,900
Restricted Funds				
Balance Forward			6,564,700	
Current Receipts	144,803,700	146,713,400	144,803,700	141,684,100
Non-Revenue Receipts			6,300,000	
Fund Transfers			-4,438,600	
Total Restricted Funds	144,803,700	146,713,400	153,229,800	141,684,100
Federal Funds				
Balance Forward			6,300	
Current Receipts	1,175,500	1,175,500	1,406,200	1,412,500
Total Federal Funds	1,175,500	1,175,500	1,412,500	1,412,500
TOTAL SOURCE OF FUNDS	237,429,900	253,149,900	224,298,800	212,971,500
EXPENDITURES BY CLASS				
Personnel Cost	141,054,200	150,671,900	123,905,300	126,689,000
Operating Expenses	35,038,100	38,569,000	21,687,600	28,115,500
Grants, Loans or Benefits	60,986,100	63,683,500	78,541,100	57,731,500
Debt Service				210,000
Capital Outlay	351,500	225,500	164,800	225,500
TOTAL EXPENDITURES	237,429,900	253,149,900	224,298,800	212,971,500
EXPENDITURES BY FUND SOURCE				
General Fund	91,450,700	105,261,000	69,656,500	69,874,900
Restricted Funds	144,803,700	146,713,400	153,229,800	141,684,100
Federal Funds	1,175,500	1,175,500	1,412,500	1,412,500
TOTAL EXPENDITURES	237,429,900	253,149,900	224,298,800	212,971,500
EXPENDITURES BY UNIT				
Acute Care	106,091,900	113,753,600	102,439,200	94,022,500
Alternate Care	12,865,500	13,789,600	11,994,700	11,669,200
Mental Retardation	106,208,200	112,717,700	99,631,200	97,046,100
Alcohol	605,000	654,400	561,300	561,300
Forensic	11,659,300	12,234,600	9,672,400	9,672,400
TOTAL EXPENDITURES	237,429,900	253,149,900	224,298,800	212,971,500

Residential Mental Health/Mental Retardation Services provides residential services in the areas of psychiatric hospitalization, intermediate care for persons with mental retardation, nursing facility care, forensic psychiatry, and substance abuse. The Department provides care in this program to approximately 1,300 individuals each day.

Inpatient psychiatric services are provided for adults through three psychiatric hospitals: Eastern State Hospital in Lexington [151 average daily census (adc)]; Central State Hospital in Louisville (108 adc); and Western State Hospital in Hopkinsville (143 adc). The Hazard Psychiatric Facility (82 adc) provides acute inpatient psychiatric services through a contract with Appalachian Regional Healthcare, Inc. Eastern State Hospital is operated under a management contract with Bluegrass Regional Mental Health/Mental Retardation Board, Inc.

Glasgow Nursing Facility (85 adc) and Western State Nursing Facility (122 adc) provide nursing facility services for adults with mental illness who are admitted from state psychiatric hospitals.

Seven facilities provide intermediate care for individuals with mental retardation who are unable to live unassisted in their communities: the Communities at Oakwood in Somerset (303 adc); Outwood in Dawson Springs (70 adc); Hazelwood in Louisville (153 adc); Central State Intermediate Care Facility for the Mentally Retarded on the campus of Central State Hospital (41 adc); Del Maria in Fern Creek (8 adc); the Meadows in Mount Washington (8 adc); and Windsong in Crestwood (8 adc). Residents are assisted in self-care skills and appropriate social behavior and are provided specialized services to promote their personal growth.

Numerous initiatives are being implemented to improve the overall quality of service provided to the residents at the Communities at Oakwood. Oakwood has been divided into four separate components, each of which is fully licensed as an intermediate care facility for the mentally retarded. Collectively they are called "the Communities at Oakwood."

Volta House, a 26-adc facility on the campus of Western State Hospital in Hopkinsville, provides a 28-day inpatient program for individuals suffering from chronic or acute alcoholism.

Forensic psychiatric services are provided at the Kentucky Correctional Psychiatric Center within the Luther Lockett Correctional Complex in LaGrange (73 beds). Pretrial services are provided for persons with felony charges who are referred by district and circuit courts for evaluation of competency to stand trial. The correctional component serves post-convicted females in need of acute inpatient psychiatric treatment who are transferred from various institutions within the Department of Corrections.

Policy

Included in the enacted budget is \$210,000 General Fund debt service for roof replacement at the Communities at Oakwood and new heating, ventilation and cooling system at the Glasgow Nursing Facility. The enacted budget includes a fund transfer of \$4,438,600 to the General Fund in fiscal year 2004-2005.

Health and Family Services Cabinet

Public Health

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	73,641,500	77,376,700	64,649,900	66,857,900
Total General Fund	73,641,500	77,376,700	64,649,900	66,857,900
Tobacco Settlement-Phase I				
Tobacco Settlement - I	18,490,500	18,793,000	16,768,000	17,373,000
Continuing Appropriation	5,199,900	5,199,900	4,623,800	
Total Tobacco Settlement-Phase I	23,690,400	23,992,900	21,391,800	17,373,000
Restricted Funds				
Balance Forward	4,007,000	3,782,300	4,408,700	462,800
Current Receipts	68,635,300	69,595,700	67,440,200	70,520,900
Non-Revenue Receipts	907,300	907,300	707,300	907,300
Fund Transfers			-1,909,600	-358,800
Total Restricted Funds	73,549,600	74,285,300	70,646,600	71,532,200
Federal Funds				
Balance Forward			830,000	
Current Receipts	154,782,900	155,143,100	160,172,300	160,981,700
Total Federal Funds	154,782,900	155,143,100	161,002,300	160,981,700
TOTAL SOURCE OF FUNDS	325,664,400	330,798,000	317,690,600	316,744,800
EXPENDITURES BY CLASS				
Personnel Cost	41,332,100	43,108,000	40,572,100	38,529,100
Operating Expenses	22,974,500	22,968,600	18,404,400	20,530,300
Grants, Loans or Benefits	252,375,600	254,287,900	257,821,300	257,340,400
Debt Service		1,914,000		345,000
Capital Outlay			430,000	
TOTAL EXPENDITURES	316,682,200	322,278,500	317,227,800	316,744,800
EXPENDITURES BY FUND SOURCE				
General Fund	73,641,500	77,376,700	64,649,900	66,857,900
Tobacco Settlement-Phase I	18,490,500	18,793,000	21,391,800	17,373,000
Restricted Funds	69,767,300	70,965,700	70,183,800	71,532,200
Federal Funds	154,782,900	155,143,100	161,002,300	160,981,700
TOTAL EXPENDITURES	316,682,200	322,278,500	317,227,800	316,744,800
EXPENDITURES BY UNIT				
General Health Support	43,139,600	45,397,700	42,809,900	42,681,600
Epidemiology and Health Planning	52,432,800	52,905,500	51,217,000	50,486,900
Adult and Child Health	204,608,000	206,930,400	207,788,700	206,062,200
Laboratory Services	5,731,100	5,951,100	5,147,600	7,253,600
Public Health Protection and Safety	10,770,700	11,093,800	10,264,600	10,260,500
TOTAL EXPENDITURES	316,682,200	322,278,500	317,227,800	316,744,800

The Department for Public Health (DPH) as authorized by KRS 211.025 and 211.180 develops and operates health related activities that provide services to protect and improve the health of the citizens of the Commonwealth.

The Department is responsible for programs that affect the quality of life of every citizen in the state every day. What distinguishes public health from personal preventive health services (provided by private physicians, hospitals, clinics, and other private organizations) is the systematic action on behalf of the community or society. Public health organizations are accountable to the populations they serve, and public health officials are primarily responsible for the health of the population living in their jurisdiction (county, group of counties, state). Private health providers are primarily responsible for the health of only the patients who come to them for services.

In fiscal year 2004, the public health departments of Kentucky reported the following accomplishments:

- Adult health preventive visits to 190,021
- Cancer related clinical visits (primarily breast and cervical cancer) to 61,456
- 16,827 diabetes health promotion education activities to high-risk populations
- Family planning services to 96,537
- Maternity services to 12,864
- 356,302 medical home health units/visits to 8,526 patients
- 306,922 units/visits of Medicaid Home and Community Based Services to 2,261
- Children's preventive services to 386,326
- WIC services to 193,280
- Referrals to university diagnostic centers for 481 infants with positive or inconclusive results for phenylketonuria (PKU), galactosemia, congenital hypothyroidism and sickle cell
- Genetic testing, counseling and education for 1,187 Kentuckians
- Provided 869,302 doses of vaccine for Kentuckians which were administered by both the local health departments and private providers. Data released by the Centers for Disease Control and Prevention (CDC) show that 84.2 percent of Kentucky's two-year olds have received recommended immunizations
- 96 percent of kindergarten entrants adequately immunized
- Conducted inspections of 75,040 food establishments, 1,490 X-ray and other radiation-producing machines, 6,765 dairies, and 213,965 sanitation inspections
- 822,800 laboratory tests were performed

The Cabinet for Health and Family Services and the Department for Public Health have relied on local health departments to carry out two important functions for the state: core public health activities required by statute or regulation, and preventive services to specific populations mandated by budget appropriations. The seven core functions are: enforcement of public health regulations; surveillance of public health; communicable disease control; public health education; public health policy development; reduction of risk to families and children; and disaster preparedness. Preventive services for specific populations include family planning, prenatal care, pediatric preventive check-ups, Women, Infants, and Children supplemental nutrition services (WIC), adult preventive services, and chronic disease monitoring and support services.

Local health departments may provide additional services depending on the availability of alternative revenue sources. Examples of these services include home health services, physician based ambulatory primary care services, and expanded school health services.

**Health and Family Services Cabinet
Public Health
General Health Support**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	17,936,600	20,170,500	17,152,500	17,497,500
Total General Fund	17,936,600	20,170,500	17,152,500	17,497,500
Restricted Funds				
Balance Forward	1,600,000	1,600,000	2,321,200	
Current Receipts	22,685,700	22,709,900	22,666,800	22,666,800
Non-Revenue Receipts	907,300	907,300	707,300	907,300
Fund Transfers			-1,647,900	
Total Restricted Funds	25,193,000	25,217,200	24,047,400	23,574,100
Federal Funds				
Current Receipts	1,610,000	1,610,000	1,610,000	1,610,000
Total Federal Funds	1,610,000	1,610,000	1,610,000	1,610,000
TOTAL SOURCE OF FUNDS	44,739,600	46,997,700	42,809,900	42,681,600
EXPENDITURES BY CLASS				
Personnel Cost	6,247,300	6,590,700	6,020,700	5,865,700
Operating Expenses	873,400	874,100	797,600	740,600
Grants, Loans or Benefits	36,018,900	36,018,900	35,991,600	35,730,300
Debt Service		1,914,000		345,000
TOTAL EXPENDITURES	43,139,600	45,397,700	42,809,900	42,681,600
EXPENDITURES BY FUND SOURCE				
General Fund	17,936,600	20,170,500	17,152,500	17,497,500
Restricted Funds	23,593,000	23,617,200	24,047,400	23,574,100
Federal Funds	1,610,000	1,610,000	1,610,000	1,610,000
TOTAL EXPENDITURES	43,139,600	45,397,700	42,809,900	42,681,600

General Health Support provides funding to two organizational units within the Department for Health Services: the Office of the Commissioner and the Division of Administration and Financial Management (AFM). During the 2004 reorganization of the Cabinet, the State Employees' Nurses Stations and the Division of Local Health Department Operations were merged into the Division of Administration and Financial Management.

The Commissioner's Office is responsible for the leadership, management, oversight, and policy direction of the Department for Public Health (DPH). The Commissioner advises the heads of major agencies in state government on policies, plans, and programs relating to matters of public health including actions necessary to respond to extraordinary events in order to safeguard the health of the citizens of the Commonwealth. The Commissioner serves as the State Health Officer for the Commonwealth. A role that continues to expand is the creation and management of anti-bioterrorism initiatives and coordination of emergency response capabilities with federal and other state agencies.

The Chief Nurse for Public Health, located in the Commissioner's Office, provides professional consultation, support, and technical assistance to the commissioner, executive staff, and state and local health departments including approximately 1,000 nurses practicing in local health departments. The Chief Nurse helps administer the nurse-managed employee health centers in Frankfort that provide direct care, blood pressure monitoring, flu shots, health education, and HIV/AIDS and CPR classes for state employees. The nurses' stations also arrange for first aid coverage for large scale state events.

The Division of Administration and Financial Management (AFM) provides all resource support to the Department for Public Health. This includes the 393 Cabinet-level personnel and nearly 4,000 personnel represented by local health departments.

The division provides all budgets and accounting support, payments, grant allocation and payments, permits and fee collection, procurement and contracting support. The division develops and oversees the DPH budget and local health departments' fiscal planning and their administrative and management practices. It provides fiscal support to all 120 counties of the Commonwealth. The division works in concert with the other department's divisions to plan, program, execute, manage and report the financial activities of the department and local health departments. The division has orchestrated a statewide Public Health initiative to ensure health department compliance with the federal Health Insurance Portability and Accountability Act (HIPAA). As lead agency, the division is responsible for planning and implementation of policy, procedural and technical changes to Department for Public Health and local health department operations as they relate to the privacy and confidentiality of patient identifiable information.

In addition, the Division is also responsible for the day-to-day operations of the 56 Local Health Departments (LHDs) across the state. This responsibility includes training and staff development, personnel management, public health nursing, medical records and forms management, reporting of clinical and community-based services, operating the online local health network that tracks approximately five million services to 710,000 patients, policy interpretation, and the Local Board of Health nomination process. The Division is the primary liaison between the Department for Public Health (DPH) and LHDs. The Division determines allocations of \$120M to LHDs to support local and state health initiatives. In addition, the Division is responsible for coordinating the training and education activities for the Bioterrorism preparedness grant.

Policy

Included in the enacted budget are fund transfers to the General Fund of \$1,647,900 in fiscal year 2004-2005. General Funds of \$345,000 are provided in fiscal year 2005-2006 for debt service to provide upgrades to the KASPER system (Kentucky All Schedule Prescription Electronic Reporting System).

**Health and Family Services Cabinet
Public Health
Epidemiology and Health Planning**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	9,403,300	9,584,800	8,110,200	8,095,200
Total General Fund	9,403,300	9,584,800	8,110,200	8,095,200
Restricted Funds				
Balance Forward	259,900	197,000	259,900	197,000
Current Receipts	1,970,000	1,970,000	2,538,800	1,790,500
Fund Transfers			-261,700	-358,800
Total Restricted Funds	2,229,900	2,167,000	2,537,000	1,628,700
Federal Funds				
Current Receipts	40,996,600	41,153,700	40,766,800	40,763,000
Total Federal Funds	40,996,600	41,153,700	40,766,800	40,763,000
TOTAL SOURCE OF FUNDS	52,629,800	52,905,500	51,414,000	50,486,900
EXPENDITURES BY CLASS				
Personnel Cost	18,048,900	18,536,700	17,748,900	17,222,100
Operating Expenses	11,909,800	11,894,700	10,226,600	10,700,700
Grants, Loans or Benefits	22,474,100	22,474,100	22,991,500	22,564,100
Capital Outlay			250,000	
TOTAL EXPENDITURES	52,432,800	52,905,500	51,217,000	50,486,900
EXPENDITURES BY FUND SOURCE				
General Fund	9,403,300	9,584,800	8,110,200	8,095,200
Restricted Funds	2,032,900	2,167,000	2,340,000	1,628,700
Federal Funds	40,996,600	41,153,700	40,766,800	40,763,000
TOTAL EXPENDITURES	52,432,800	52,905,500	51,217,000	50,486,900
EXPENDITURES BY UNIT				
Communicable Diseases	11,692,800	11,834,700	11,042,600	10,233,800
AIDS/HIV	10,719,400	10,774,500	10,663,400	10,753,400
Public Health Preparedness	24,924,400	24,977,900	24,879,800	24,879,800
Surveillance and Health Data	2,119,400	2,172,200	2,078,000	2,078,000
Health Policy	693,400	728,700	662,700	662,700
Vital	2,283,400	2,417,500	1,890,500	1,879,200
TOTAL EXPENDITURES	52,432,800	52,905,500	51,217,000	50,486,900

The mission of the Epidemiology and Health Planning Program is to assess the occurrence of, and risk factors for, preventable and reportable diseases and injuries in the Commonwealth; to develop health policies related to the division's and department's objectives; to prepare for public health threats; to collect, safeguard and report vital event records, and to assure the provision of some core public health services. To discharge these responsibilities, the division conducts activities in six areas:

- Communicable Disease, which includes immunizations, sexually transmitted diseases (STD), tuberculosis, and other communicable diseases;
- HIV/AIDS, which includes prevention activities, services, and surveillance for HIV/AIDS;
- Surveillance and Health Data, which includes reportable disease surveillance, emerging infections, health status and health risk factor studies, injury epidemiology, and the collection and analysis of data relating to community health systems planning and development;

- Health Policy Development, which includes collection of provider information and development of the state health plan;
- Vital Statistics, which collects and preserves mandatory records of all vital events including births, deaths, marriages, and divorces; and
- Public Health Preparedness, which includes the development, implementation, and exercising of statewide preparedness plans for biological threats, such as bioterrorism and naturally occurring disease outbreaks.

Epidemiology and Health Planning makes financial support and vaccines available to local health departments and other providers for the provision of more than 1 million immunizations each year (more, in years when outbreaks occur) to more than 400,000 persons. Immunization rates in schools, day care, health department clinics, and among the general child population are tracked. The tuberculosis control program reduces the number of cases and deaths due to tuberculosis by preventing non-infected individuals from becoming infected, keeping those infected without disease from progressing to disease, and by rendering infected individuals with disease non-infectious. Kentucky's TB case rate remains below the national average. Sexually transmitted disease and other communicable disease control assistance and consultation are provided across the Commonwealth as required.

Epidemiology and Health Planning is the designated State Center for Health Statistics. Health Data and Vital Statistics are responsible for the collection, analysis, and dissemination of health data from many sources to policy makers, health planners and consumers with the goal of developing policy that will improve the health of the population and ensure access to (and the benefit of) public health services to all Kentuckians. The maintenance of all vital records (birth, death, marriage and divorce certificates) and the response to all requests for vital statistics data are also carried out by this program.

Epidemiology and Health Planning is partially funded through federal preparedness and response to bioterrorism grants and has the responsibility of developing, coordinating and overseeing the public health response to bioterrorism. These funds are used to prepare the Commonwealth for disease outbreaks and other public health threats, increase the integration of local public health system assets, upgrade the State Laboratory to the capacity required by the Centers for Disease Control and Prevention, and provide hospitals across the state with funding to ensure preparedness for events attributable to bioterrorism.

Policy

Included in the enacted budget are fund transfers to the General Fund of \$261,700 in fiscal year 2004-2005 and \$358,800 in fiscal year 2005-2006. The enacted budget includes \$90,000 in General Fund for the expansion of the AIDS Drug Assistance Program.

**Health and Family Services Cabinet
Public Health
Adult and Child Health**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	37,715,400	38,630,000	31,668,200	33,546,200
Total General Fund	37,715,400	38,630,000	31,668,200	33,546,200
Tobacco Settlement-Phase I				
Tobacco Settlement - I	18,490,500	18,793,000	16,768,000	17,373,000
Continuing Appropriation	5,199,900	5,199,900	4,623,800	
Total Tobacco Settlement-Phase I	23,690,400	23,992,900	21,391,800	17,373,000
Restricted Funds				
Balance Forward	1,400,000	1,400,000	1,400,000	
Current Receipts	37,787,100	38,723,300	36,133,700	37,960,700
Total Restricted Funds	39,187,100	40,123,300	37,533,700	37,960,700
Federal Funds				
Balance Forward			830,000	
Current Receipts	110,615,000	110,784,100	116,365,000	117,182,300
Total Federal Funds	110,615,000	110,784,100	117,195,000	117,182,300
TOTAL SOURCE OF FUNDS	211,207,900	213,530,300	207,788,700	206,062,200
EXPENDITURES BY CLASS				
Personnel Cost	9,661,800	10,079,100	10,062,600	8,763,100
Operating Expenses	5,777,600	5,769,400	3,382,700	3,841,700
Grants, Loans or Benefits	189,168,600	191,081,900	194,343,400	193,457,400
TOTAL EXPENDITURES	204,608,000	206,930,400	207,788,700	206,062,200
EXPENDITURES BY FUND SOURCE				
General Fund	37,715,400	38,630,000	31,668,200	33,546,200
Tobacco Settlement-Phase I	18,490,500	18,793,000	21,391,800	17,373,000
Restricted Funds	37,787,100	38,723,300	37,533,700	37,960,700
Federal Funds	110,615,000	110,784,100	117,195,000	117,182,300
TOTAL EXPENDITURES	204,608,000	206,930,400	207,788,700	206,062,200
EXPENDITURES BY UNIT				
Maternal & Child Health	34,850,500	34,755,500	36,202,400	37,007,400
Early Childhood Development	32,662,800	32,955,800	36,996,200	31,662,400
Health Care Improvement	2,840,600	2,868,100	2,795,600	2,710,600
Drug Enforcement	1,329,600	1,388,000	1,508,600	1,508,600
Health Access	1,271,800	1,303,500	1,247,000	1,247,000
Chronic Diseases	11,320,500	11,376,500	11,078,700	12,170,000
KEIS	38,178,400	40,028,700	35,975,800	37,775,800
Nutrition	82,153,800	82,254,300	81,984,400	81,980,400
TOTAL EXPENDITURES	204,608,000	206,930,400	207,788,700	206,062,200

The Adult and Child Health Improvement Program promotes and improves the health status of all Kentuckians through early childhood development programs; community based health education and prevention; preventive clinical care; nutrition counseling and food supplementation; and the promotion of an adequate network of primary care providers throughout the Commonwealth. Although improvements have been made in several areas, the overall health of Kentucky's citizens

still ranks near the bottom nationally. In the absence of good preventive care, many health conditions worsen and become more expensive to treat. When preventive health is more widely promoted, wellness and lifestyle changes can become a more prevalent focus. As a result, health care costs can be reduced and quality of life can improve for all Kentuckians.

The Maternal and Child Health subprogram provides oversight to many of the services and activities which focus on mothers and children including family planning, folic acid, prenatal, maternity services, newborn metabolic screening case management, genetics, Kentucky birth surveillance registry, well child prevention, lead, injury prevention, teen pregnancy prevention, coordinated school health, and breast and cervical cancer screening. To enable children to reach their full potential, preventive care must be obtained in the formative years, 0-5 years of age, when the brain is programmed to develop. In the absence of good preventive care, many health conditions worsen and become far more expensive to treat.

The Early Childhood Development subprogram provides active leadership in achieving the health goals of the state's early childhood initiatives through HANDS (Healthy Access Nurturing Development Services), Healthy Start in Child Care, Early Childhood Mental Health and KEIS (First Steps), which was transferred from the Commission on Children with Special Health Care Needs in FY 04. Approximately 21% of all children provided preventive health services are in need of further evaluation and treatment of a condition or problem that, when detected early, is less costly than if allowed to worsen. It has been estimated that every dollar spent on early intervention for children results in a cost avoidance of seven dollars. The future of Kentucky depends upon the healthy development of its youngest citizens.

The Chronic Disease subprogram focuses on community-based health promotion and education for adults and children as well as planning efforts aimed at finding local solutions to major health problems. Treatment for persons with chronic diseases makes up more than 60 percent of all medical care expenditures. Activities are directed primarily toward diabetes control, cardiovascular health, physical activity, worksite wellness and preventing substance abuse and tobacco-related diseases and conditions. Services are focused on adults without a medical "home." Referrals to other providers are made for management of problems detected.

The Nutrition subprogram administers the federally funded Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program that provide a monthly food prescription (package) as well as nutrition education to low-income pregnant and postpartum women, infants, and children at nutritional risk. Studies have shown that pregnant women who participate in WIC have fewer premature births, fewer low birth weight babies, and seek prenatal care earlier in the pregnancy. Nutritionists in local health departments provide medical nutrition therapy and follow-up nutrition care for children with special health care needs. Additionally, this subprogram provides oversight of a state nutrition and physical activity program to prevent obesity. Lifestyle changes such as regular exercise and a healthy diet can reduce the risk of cardiovascular diseases, diabetes, high blood pressure, and high cholesterol.

The Health Care Access subprogram focuses on primary care and provides dental services to the citizens of Kentucky. This subprogram administers federal grants and programs that relate to primary care such as the National Health Service Corps, Conrad State 30 J-1 Visa Waiver Program, and Appalachian Regional Commission partnership. Dental services are provided to reduce the number of decayed, missing, and filled teeth in the 18-and-under population as well as to reduce the prevalence of periodontal (gum) diseases and oral and pharyngeal cancers. Through KIDS Now, this subprogram has initiated a program to prevent early childhood caries (formerly called baby bottle tooth decay). Providing these services at \$10 per visit could save between \$5,000 and \$10,000 per child in restorative care and hospitalization if the disease progresses to its terminal state. Additionally, the subprogram houses the 1-800 hotline for the Kentucky Physicians' Care Program. This program utilizes many of Kentucky's physicians, dentists, pharmacies, and several pharmaceutical companies to provide free health care and medications to uninsured individuals.

Policy

The enacted budget includes \$900,000 in General Fund in fiscal year 2005-2006 to expand the Diabetes Control Program. General Funds of \$200,000 are provided in fiscal year 2005-2006 to fund the Diabetes Research Board.

**Health and Family Services Cabinet
Public Health
Laboratory Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	4,635,100	4,855,100	4,051,600	4,051,600
Total General Fund	4,635,100	4,855,100	4,051,600	4,051,600
Restricted Funds				
Balance Forward	479,500	399,500	160,000	80,000
Current Receipts	1,016,000	1,016,000	1,016,000	3,122,000
Total Restricted Funds	1,495,500	1,415,500	1,176,000	3,202,000
TOTAL SOURCE OF FUNDS	6,130,600	6,270,600	5,227,600	7,253,600
EXPENDITURES BY CLASS				
Personnel Cost	2,631,500	2,833,500	2,200,000	2,410,000
Operating Expenses	3,091,600	3,109,600	2,759,600	3,960,000
Grants, Loans or Benefits	8,000	8,000	8,000	883,600
Capital Outlay			180,000	
TOTAL EXPENDITURES	5,731,100	5,951,100	5,147,600	7,253,600
EXPENDITURES BY FUND SOURCE				
General Fund	4,635,100	4,855,100	4,051,600	4,051,600
Restricted Funds	1,096,000	1,096,000	1,096,000	3,202,000
TOTAL EXPENDITURES	5,731,100	5,951,100	5,147,600	7,253,600

The Laboratory Services Program provides essential examinations of clinical and environmental specimens required to support other state programs and local health department programs. The Laboratory performs reference diagnostic testing not typically performed by private sector laboratories. Examples of testing performed by Laboratory Services include testing for newborn heritable and genetic disorders, STDs, TB, West Nile, SARS, rabies, influenza subtyping, bioterrorism, and select agents; environmental samples for water fluoride levels; milk, food, and water for evidence of contamination; pesticide analyses; and occupational safety and health chemistry.

The State Laboratory is a certified high complexity laboratory, which requires it to meet the most stringent federal requirements for quality assurance, quality control, and personnel qualifications. The program is responsible for approximately 259 local health department sites licensed on multiple-site certificates under Clinical Laboratory Improvement Act (CLIA). The program's staff provides technical direction, training sessions, on-site consultations, procedure manuals, forms for documentation, and other necessary tools.

Laboratory Services performs tests for patients in the Department for Mental Health and Mental Retardation Services' facilities, LHD, hospitals, clinics, doctor's offices, and provides occupational health chemistry analysis for the Kentucky Occupational Safety and Health Program.

General Fund support is the primary source of funding for Laboratory Services. Other funds are received from newborn screening fees and a cooperative agreement with OSHA.

Policy

Included in the enacted budget is \$660,000 in Tobacco Funds for the purchase of two new tandem mass spectrometers for expanded newborn screening. The new equipment will allow the laboratory to test for an additional 25 heritable disorders in infants. Previously, Kentucky had tested for only four heritable disorders in infants.

**Health and Family Services Cabinet
Public Health
Public Health Protection and Safety**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	3,951,100	4,136,300	3,667,400	3,667,400
Total General Fund	3,951,100	4,136,300	3,667,400	3,667,400
Restricted Funds				
Balance Forward	267,600	185,800	267,600	185,800
Current Receipts	5,176,500	5,176,500	5,084,900	4,980,900
Total Restricted Funds	5,444,100	5,362,300	5,352,500	5,166,700
Federal Funds				
Current Receipts	1,561,300	1,595,300	1,430,500	1,426,400
Total Federal Funds	1,561,300	1,595,300	1,430,500	1,426,400
TOTAL SOURCE OF FUNDS	10,956,500	11,093,900	10,450,400	10,260,500
EXPENDITURES BY CLASS				
Personnel Cost	4,742,600	5,068,000	4,539,900	4,268,200
Operating Expenses	1,322,100	1,320,800	1,237,900	1,287,300
Grants, Loans or Benefits	4,706,000	4,705,000	4,486,800	4,705,000
TOTAL EXPENDITURES	10,770,700	11,093,800	10,264,600	10,260,500
EXPENDITURES BY FUND SOURCE				
General Fund	3,951,100	4,136,300	3,667,400	3,667,400
Restricted Funds	5,258,300	5,362,200	5,166,700	5,166,700
Federal Funds	1,561,300	1,595,300	1,430,500	1,426,400
TOTAL EXPENDITURES	10,770,700	11,093,800	10,264,600	10,260,500
EXPENDITURES BY UNIT				
Radiation	2,387,400	2,492,900	2,232,100	2,229,400
Milk	1,402,900	1,485,500	1,336,700	1,336,700
Food	4,453,500	4,509,800	4,273,600	4,273,600
Sanitation	2,526,900	2,605,600	2,422,200	2,420,800
TOTAL EXPENDITURES	10,770,700	11,093,800	10,264,600	10,260,500

The Public Health Protection and Safety Program provides a variety of environmental services, from monitoring exposure to radiation to insuring sanitation of food, milk, and public facilities. This Division provides consultation and guidance to some 300 local health department environmental-public health specialists/Registered Sanitarians, and provides regulatory oversight to many of Kentucky's business Industries.

The Radiation subprogram inspects and issues 450+ specific licenses to users of radioactive materials and registers and inspects 200+ users of radiation sources. The program monitors the transportation of radioactive waste, within and through the Commonwealth, and is equipped to respond to radiological emergencies 24 hours per day. The program registers and inspects 3,350 facilities and issues certificates and inspects approximately 5,500 operators of sources of radiation. The program monitors Paducah Gaseous Diffusion Plant and Monitors nuclear waste disposal sites (such as Maxey Flats) along with the Environmental and Public Protection Cabinet.

The Milk Safety subprogram inspects dairy farms, dairy plants, transfer and hauler facilities and milk processors. The program provides safety education to milk haulers, pasteurization equipment operators and other industry professionals.

The Food subprogram trains local health department employees who inspect food service establishments, retail food stores, vending machine companies, tattoo studios, boarding homes, bed and breakfast establishments, and food manufacturing and storage plants. The program oversees the farmer's market program compliance. The program collects representative samples from the state's raw agricultural producers to test for pesticide residues. The food safety program also oversees quarantines and the destruction of food, drugs and alcohol which have been contaminated by disasters such as floods.

The Sanitation subprogram establishes sanitary and safety standards for the construction and operation of public facilities including regulatory oversight for the sanitary operation of public pools, schools, mobile home parks, day camps and many other public facilities. The program oversees construction of onsite sewage disposal systems for new homes not on city sewers and trains and certifies inspectors and operators. The program manages the state consumer product safety program and radon mitigation program. The program responds to public health complaints related to dog bites, septic systems, pool malfunctions, recreational lake health issues and other environmental health issues.

The Public Safety program conducts lead abatement activities, especially in areas occupied by children. The program investigates unsafe products and provides education on safety issues. The program also provides engineering oversight for all public pools in the commonwealth, approving plans for all new construction, change and/or renovation.

**Health and Family Services Cabinet
Certificate of Need**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	154,700	177,600	117,700	117,700
Total General Fund	154,700	177,600	117,700	117,700
Restricted Funds				
Balance Forward	117,200	58,600	362,900	300,200
Current Receipts	104,300	104,300	104,300	104,300
Fund Transfers			-4,100	
Total Restricted Funds	221,500	162,900	463,100	404,500
TOTAL SOURCE OF FUNDS	376,200	340,500	580,800	522,200
EXPENDITURES BY CLASS				
Personnel Cost	300,700	323,600	267,100	310,400
Operating Expenses	16,900	16,900	13,500	13,500
TOTAL EXPENDITURES	317,600	340,500	280,600	323,900
EXPENDITURES BY FUND SOURCE				
General Fund	154,700	177,600	117,700	117,700
Restricted Funds	162,900	162,900	162,900	206,200
TOTAL EXPENDITURES	317,600	340,500	280,600	323,900

The Certificate of Need process ensures that the citizens of the Commonwealth will have safe, adequate and efficient medical care. KRS 194A.030 established the Office of Certificate of Need. KRS 216B provides statutory authority to promulgate administrative regulations, process approval or disapproval of applications for certificates of need, schedule public hearings, monitor the implementation of approved certificates of need, and issue advisory opinions.

A Certificate of Need must be obtained prior to the following activities:

- Establishment of a health facility;
- Obligation of a capital expenditure which exceeds the capital expenditure minimum;
- A substantial change in the bed capacity of a health facility;
- A substantial change in a previously approved project;
- Acquisition of major medical equipment;
- Alteration of a geographical area or a specific location which has been designated on a certificate of need or license; or
- Transfer of an approved certificate of need for the establishment of a new health facility or the replacement of a licensed facility.

**Health and Family Services Cabinet
Human Support Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	27,527,600	27,608,200	26,621,600	30,469,900
Total General Fund	27,527,600	27,608,200	26,621,600	30,469,900
Restricted Funds				
Balance Forward	4,900	2,500	69,900	2,500
Current Receipts	59,400	59,900	645,400	645,900
Non-Revenue Receipts	-2,400	-2,500	-2,400	-2,500
Fund Transfers			-19,000	
Total Restricted Funds	61,900	59,900	693,900	645,900
Federal Funds				
Balance Forward	25,500	25,500	165,100	
Current Receipts	21,444,200	21,444,200	23,668,000	24,448,900
Total Federal Funds	21,469,700	21,469,700	23,833,100	24,448,900
TOTAL SOURCE OF FUNDS	49,059,200	49,137,800	51,148,600	55,564,700
EXPENDITURES BY CLASS				
Personnel Cost	2,032,000	2,184,300	2,556,700	2,565,200
Operating Expenses	270,500	270,500	493,800	485,300
Grants, Loans or Benefits	46,728,700	46,657,500	48,095,600	52,514,200
TOTAL EXPENDITURES	49,031,200	49,112,300	51,146,100	55,564,700
EXPENDITURES BY FUND SOURCE				
General Fund	27,527,600	27,608,200	26,621,600	30,469,900
Restricted Funds	59,400	59,900	691,400	645,900
Federal Funds	21,444,200	21,444,200	23,833,100	24,448,900
TOTAL EXPENDITURES	49,031,200	49,112,300	51,146,100	55,564,700
EXPENDITURES BY UNIT				
Family Resource and Youth Services Center			211,200	211,200
Child Abuse & Domestic Violence	255,800	267,200	290,500	3,825,800
Kentucky Com. Community Volunteerism and Serv.			2,880,700	2,880,700
Aging & Support Services	48,775,400	48,845,100	47,557,800	48,441,100
Women's Physical & Mental Health			205,900	205,900
TOTAL EXPENDITURES	49,031,200	49,112,300	51,146,100	55,564,700

Executive Order 2004-444 created the Department for Human Support Services. It is made up of five separate divisions: Women's Physical and Mental Health, Aging Services, Family Resource and Youth Service Centers, Child Abuse and Domestic Violence Services and the Kentucky Commission on Community Volunteerism and Services.

**Health and Family Services Cabinet
Human Support Services
Family Resource and Youth Services Center**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
Federal Funds				
Current Receipts			211,200	211,200
Total Federal Funds			<u>211,200</u>	<u>211,200</u>
TOTAL SOURCE OF FUNDS			<u>211,200</u>	<u>211,200</u>
EXPENDITURES BY CLASS				
Grants, Loans or Benefits			<u>211,200</u>	<u>211,200</u>
TOTAL EXPENDITURES			<u>211,200</u>	<u>211,200</u>
EXPENDITURES BY FUND SOURCE				
Federal Funds			<u>211,200</u>	<u>211,200</u>
TOTAL EXPENDITURES			<u>211,200</u>	<u>211,200</u>

The Kentucky Education Reform Act (KERA) of 1990, KRS 156.497 and KRS 156.4977 as amended, and Executive Order 2004-726, created the Division of Family Resource and Youth Services Centers (FRYSCs). The Division of Family Resource and Youth Services Centers provides administrative, technical assistance and training support to the local school-based Family Resource and Youth Services Centers (FRYSC). The primary goal of these centers is to enhance student ability to succeed in school by developing and sustaining partnerships that promote early learning and successful transition into school, academic achievement and well-being, and graduation and transition into adult life.

Each center has a unique blend of program components depending on location, available services, local need and community input designed to promote the flow of resources and supports to families in ways that strengthen their functioning and further the growth and development of each member. Services may include after school child care, literacy programs, home visits to new/expectant parents, support and training for child day care providers, referrals to social services, employment counseling, summer and part-time job development, drug/alcohol counseling and family crisis and mental health counseling. Centers also offer programs such as peer mediation, conflict resolution, pregnancy prevention and job shadowing.

**Health and Family Services Cabinet
Human Support Services
Child Abuse & Domestic Violence**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	184,800	196,200	287,500	3,135,800
Total General Fund	184,800	196,200	287,500	3,135,800
Federal Funds				
Balance Forward	25,500	25,500		
Current Receipts	71,000	71,000	3,000	690,000
Total Federal Funds	96,500	96,500	3,000	690,000
TOTAL SOURCE OF FUNDS	281,300	292,700	290,500	3,825,800
EXPENDITURES BY CLASS				
Personnel Cost	222,700	234,100	257,800	257,800
Operating Expenses	33,100	33,100	32,700	32,700
Grants, Loans or Benefits				3,535,300
TOTAL EXPENDITURES	255,800	267,200	290,500	3,825,800
EXPENDITURES BY FUND SOURCE				
General Fund	184,800	196,200	287,500	3,135,800
Federal Funds	71,000	71,000	3,000	690,000
TOTAL EXPENDITURES	255,800	267,200	290,500	3,825,800

Pursuant to KRS 12.350, the Office of Child Abuse and Domestic Violence Services was established to address the need to increase the financial and programmatic efficiency and accountability of state and community systems and other organizations that provide services to victims of child abuse, domestic violence and sexual assault. Division staff serve as Program Managers for both the state network of Children's' Advocacy Centers and the state network of Rape Crisis Centers. The office is further charged with providing new and progressive initiatives to improve and enhance the delivery of services to victims of child abuse, domestic violence, and rape or sexual assault. Through reorganization in 2004, the office became a division aligned with the Department for Human Support Services in the Cabinet for Health and Family Services.

Additionally, KRS 403.700 provides that the Governor's Council on Domestic Violence and Sexual Assault shall be attached to the Office of Child Abuse and Domestic Violence Services. The statute further provides that the secretaries for the Justice Cabinet, Cabinet for Health Services and Cabinet for Families and Children "shall provide the necessary staff to assist the council in carrying out its duties and responsibilities."

**Health and Family Services Cabinet
Human Support Services
Kentucky Com. Community Volunteerism and Serv.**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation			226,500	226,500
Total General Fund			226,500	226,500
Restricted Funds				
Current Receipts			126,000	126,000
Total Restricted Funds			126,000	126,000
Federal Funds				
Current Receipts			2,528,200	2,528,200
Total Federal Funds			2,528,200	2,528,200
TOTAL SOURCE OF FUNDS			2,880,700	2,880,700
EXPENDITURES BY CLASS				
Personnel Cost			297,300	305,800
Operating Expenses			266,400	257,900
Grants, Loans or Benefits			2,317,000	2,317,000
TOTAL EXPENDITURES			2,880,700	2,880,700
EXPENDITURES BY FUND SOURCE				
General Fund			226,500	226,500
Restricted Funds			126,000	126,000
Federal Funds			2,528,200	2,528,200
TOTAL EXPENDITURES			2,880,700	2,880,700

The Kentucky Commission for Community Volunteerism and Services (KCCVS) was created in 1994 to serve as a conduit for federal funds that support AmeriCorps programs in the Commonwealth and to assume responsibility for the statewide coordination of volunteer activities. Executive Order 2004-726 reorganized the administrative support and oversight unit of the Commission from an Office to a Division.

KCCVS currently administers eight federally funded AmeriCorps programs. Three of these were awarded to Kentucky through a competitive application process while the remaining five are formula based. Federal funds are contracted to community organizations that, in turn, receive local matching funds, which include cash and in-kind services. AmeriCorps members provide household budget training, home renovation assistance, life skills training, and services to help senior citizens live independently. They train volunteers, serve the homeless, mentor at-risk youth, and offer assistance to victims of natural disasters. In addition, participants tutor children in elementary/ secondary schools and assist parents in developing skills to help their children learn to read. Children tutored by AmeriCorps members tend to advance a minimum of two reading levels during the school year. AmeriCorps alumni in Kentucky have received more than \$10,000,000 in federal educational vouchers for their years of service.

The most recent KCCVS program centers on Homeland Security efforts. Basic security measures addressing natural, environmental, or terrorist disasters are taught to area residents. Members frequently go door-to-door in an attempt to provide critical information, or they may serve with local disaster relief organizations. In addition, America's Promise - The Alliance for Youth is coordinated through KCCVS.

**Health and Family Services Cabinet
Human Support Services
Aging & Support Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	27,342,800	27,412,000	25,901,700	26,901,700
Total General Fund	27,342,800	27,412,000	25,901,700	26,901,700
Restricted Funds				
Balance Forward	4,900	2,500	69,900	2,500
Current Receipts	59,400	59,900	519,400	519,900
Non-Revenue Receipts	-2,400	-2,500	-2,400	-2,500
Fund Transfers			-19,000	
Total Restricted Funds	61,900	59,900	567,900	519,900
Federal Funds				
Balance Forward			165,100	
Current Receipts	21,373,200	21,373,200	20,925,600	21,019,500
Total Federal Funds	21,373,200	21,373,200	21,090,700	21,019,500
TOTAL SOURCE OF FUNDS	48,777,900	48,845,100	47,560,300	48,441,100
EXPENDITURES BY CLASS				
Personnel Cost	1,809,300	1,950,200	1,803,200	1,803,200
Operating Expenses	237,400	237,400	187,200	187,200
Grants, Loans or Benefits	46,728,700	46,657,500	45,567,400	46,450,700
TOTAL EXPENDITURES	48,775,400	48,845,100	47,557,800	48,441,100
EXPENDITURES BY FUND SOURCE				
General Fund	27,342,800	27,412,000	25,901,700	26,901,700
Restricted Funds	59,400	59,900	565,400	519,900
Federal Funds	21,373,200	21,373,200	21,090,700	21,019,500
TOTAL EXPENDITURES	48,775,400	48,845,100	47,557,800	48,441,100

The Division of Aging Services is designated as the State Unit on Aging (SUA) by the Federal Administration on Aging. In accordance with the Older Americans Act (OAA) Amendments of 1965 as amended through December 2000, and 45 CFR 1321, the Division is responsible for aging issues on behalf of all older persons in Kentucky. The Division is required to carry out a wide range of functions related to service delivery, advocacy, planning, coordination, interagency linkages, information-sharing, brokering, evaluation, as well as to function as a principal clearinghouse and single point of contact for the flow of information to senior citizens, policymakers, and the public. These functions are intended to focus on the development or enhancement of comprehensive and coordinated community-based service systems designed to help elderly and adult Kentuckians maintain independence and dignity in their own homes and communities. This focus on community-based alternatives is consistent with Kentucky's plan developed in response to the Olmstead Decision of the Supreme Court.

Services are provided through two discrete activities, the Older Americans Act and Community Services. The Older Americans Act (PL 98-459) (KRS 205, KRS 209) programs provide for: Nutrition Services; Supportive Services; Long-term Ombudsman Program; Family Caregiver Support Program; and, Senior Community Services Employment Program (Title V). Community Services include: Adult Day and Alzheimer's Respite (KRS 209); Personal Care Attendant Program for Physically Disabled Adults (KRS 205.900); Homecare Program (KRS 205.455-465); State Health Insurance Assistance Program (SHIP) (Section 4360 OBRA 1990, PL 101-508); Assisted Living Facility Certification (KRS 194A.050(1), 194A.707(1)); and, Adult Day Certification.

Policy

Included in the enacted budget is \$500,000 General Fund in fiscal year 2005-2006 to increase services to the elderly through the Area Agencies on Aging. General Fund support of \$400,000 is provided to support forty new Personal Care Attendants. Included in the enacted budget is \$100,000 General Fund in fiscal year 2005-2006 to provide operating support to the Pulaski County Alzheimer's Disease Respite Center. The enacted budget includes a \$19,000 fund transfer to the General Fund in fiscal year 2004-2005.

**Health and Family Services Cabinet
Human Support Services
Women's Physical & Mental Health**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation			205,900	205,900
Total General Fund			205,900	205,900
TOTAL SOURCE OF FUNDS			205,900	205,900
EXPENDITURES BY CLASS				
Personnel Cost			198,400	198,400
Operating Expenses			7,500	7,500
TOTAL EXPENDITURES			205,900	205,900
EXPENDITURES BY FUND SOURCE				
General Fund			205,900	205,900
TOTAL EXPENDITURES			205,900	205,900

KRS 194A.095 established the Office of Women's Health in 1998, and the Office officially opened in October, 2000 after the 2000 General Assembly changed the name to the Office of Women's Physical and Mental Health (OWPMH) to emphasize mental health issues of importance to women, along with traditional physical health issues. At that time, the Office was attached to the Office of the Secretary of Health Services with no budget appropriation. In 2004, the Office was changed to a Division (EO 2004-726) and became a part of the Department for Human Support Services. The purpose of the division is to serve as a "repository for data and information affecting women's health and mental health; analyzing and communicating trends in women's health issues and mental health; recommending data elements affecting women's health and mental health that should be collected, analyzed and reported; and administering a Women's Health Resource Center to focus on targeted preventive and comprehensive health education." The initial legislation emphasizes using all forms of media to communicate health trends and preventive measures.

In conjunction with Women's Health Awareness Month in May 2002, the OWPMH released the first comprehensive report on the health status of Kentucky's women: Kentucky Women's Health 2002: Data, Developments and Decisions. This 125-page report is a compilation of statistical data on numerous women's health issues, including hypertension, diabetes, cancer, heart disease, and osteoporosis and aging issues such as home health services and caregiver stress. Also in compliance with its mandate, the WPMH created and maintains a comprehensive web-based Women's Health Resource Center ("Center") with data and information specific to women's health in Kentucky.

**Health and Family Services Cabinet
Disability Determination Services**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward			1,300	
Current Receipts	65,800	65,800		
Non-Revenue Receipts			64,500	65,800
Total Restricted Funds	<u>65,800</u>	<u>65,800</u>	<u>65,800</u>	<u>65,800</u>
Federal Funds				
Balance Forward			1,400	
Current Receipts	43,796,700	45,852,300	43,642,400	44,692,200
Total Federal Funds	<u>43,796,700</u>	<u>45,852,300</u>	<u>43,643,800</u>	<u>44,692,200</u>
TOTAL SOURCE OF FUNDS	<u>43,862,500</u>	<u>45,918,100</u>	<u>43,709,600</u>	<u>44,758,000</u>
EXPENDITURES BY CLASS				
Personnel Cost	25,786,500	27,845,200	25,633,600	26,685,100
Operating Expenses	3,643,200	3,512,100	3,643,200	3,512,100
Grants, Loans or Benefits	14,432,800	14,560,800	14,432,800	14,560,800
TOTAL EXPENDITURES	<u>43,862,500</u>	<u>45,918,100</u>	<u>43,709,600</u>	<u>44,758,000</u>
EXPENDITURES BY FUND SOURCE				
Restricted Funds	65,800	65,800	65,800	65,800
Federal Funds	43,796,700	45,852,300	43,643,800	44,692,200
TOTAL EXPENDITURES	<u>43,862,500</u>	<u>45,918,100</u>	<u>43,709,600</u>	<u>44,758,000</u>

The Department for Disability Determination Services (DDDS) determines medical eligibility for residents of the Commonwealth who apply for Social Security and Supplemental Security Income disability benefits from the federal government. The DDDS reevaluates the claims of disability recipients who have been selected for a periodic review of their medical condition and conducts face-to-face evidentiary hearings for those individuals who appeal an unfavorable review of their continuing eligibility.

The Department for Disability Determination Services workload depends upon: 1) the number of individuals who apply for disability benefits through the Social Security Administration (SSA); 2) the number of claims that SSA selects for continuing review and sends to DDDS, and 3) Congressional mandates, legal actions or other initiatives.

Policy

The enacted Budget of the Commonwealth includes increased federal funds in the amount of \$1,400,000 in fiscal year 2005 and \$2,000,000 in fiscal year 2006 for 27 additional full-time equivalent positions (FTEs) in fiscal year 2005 and 36 FTEs in fiscal year 2006 to support current services.

**Health and Family Services Cabinet
Community Based Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	341,395,400	396,532,400	275,476,700	300,236,700
Total General Fund	341,395,400	396,532,400	275,476,700	300,236,700
Tobacco Settlement-Phase I				
Tobacco Settlement - I	8,112,900	8,112,900	8,300,400	8,300,400
Continuing Appropriation	156,700	156,700	153,700	
Total Tobacco Settlement-Phase I	8,269,600	8,269,600	8,454,100	8,300,400
Restricted Funds				
Balance Forward	32,528,800	2,755,500	31,857,800	6,296,600
Current Receipts	123,563,700	133,335,500	118,359,900	121,163,600
Non-Revenue Receipts	-10,228,100	-11,359,400	-8,751,600	-8,680,400
Total Restricted Funds	145,864,400	124,731,600	141,466,100	118,779,800
Federal Funds				
Balance Forward			2,728,600	
Current Receipts	497,000,900	526,333,000	473,538,100	485,621,100
Total Federal Funds	497,000,900	526,333,000	476,266,700	485,621,100
TOTAL SOURCE OF FUNDS	992,530,300	1,055,866,600	901,663,600	912,938,000
EXPENDITURES BY CLASS				
Personnel Cost	271,536,500	297,234,800	236,038,300	236,569,400
Operating Expenses	52,111,100	55,133,500	39,563,700	39,146,200
Grants, Loans or Benefits	665,970,500	703,341,600	619,765,000	637,222,400
TOTAL EXPENDITURES	989,618,100	1,055,709,900	895,367,000	912,938,000
EXPENDITURES BY FUND SOURCE				
General Fund	341,395,400	396,532,400	275,476,700	300,236,700
Tobacco Settlement-Phase I	8,112,900	8,112,900	8,454,100	8,300,400
Restricted Funds	143,108,900	124,731,600	135,169,500	118,779,800
Federal Funds	497,000,900	526,333,000	476,266,700	485,621,100
TOTAL EXPENDITURES	989,618,100	1,055,709,900	895,367,000	912,938,000
EXPENDITURES BY UNIT				
Family Support	323,220,900	338,813,400	301,722,000	303,997,500
Child Support	61,308,500	63,999,500	57,309,600	57,562,000
Energy	23,217,900	23,222,900	29,673,800	23,181,000
Child Care	175,248,100	186,287,300	157,779,600	167,029,700
Family and Community Services	406,622,700	443,386,800	348,882,000	361,167,800
TOTAL EXPENDITURES	989,618,100	1,055,709,900	895,367,000	912,938,000

The Department for Community Based Services (DCBS) is responsible for administering the following programs: Family Support (including Temporary Assistance to Needy Families (TANF), Food Stamps, Medicaid Eligibility, and State Supplementation), Child Support, Energy Assistance, Child Care, and Family and Community Based Services (including Family Based Services, Adult Services and Alternatives for Children).

These programs benefit Kentuckians who, because of social, educational, mental, or physical impairments are without sufficient resources to meet their basic needs. The Department's mission is to preserve the family as a unit when possible and protect individuals from abuse, neglect, and exploitation with safety and permanency as the paramount goals.

**Health and Family Services Cabinet
Community Based Services
Family Support**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	127,089,100	134,859,500	117,599,600	121,749,900
Total General Fund	127,089,100	134,859,500	117,599,600	121,749,900
Restricted Funds				
Balance Forward	3,459,100	244,500	2,788,100	244,500
Current Receipts			671,000	450,000
Non-Revenue Receipts	11,351,600	12,602,400	10,502,300	11,062,900
Total Restricted Funds	14,810,700	12,846,900	13,961,400	11,757,400
Federal Funds				
Balance Forward			2,728,600	
Current Receipts	181,565,600	191,107,000	167,676,900	170,490,200
Total Federal Funds	181,565,600	191,107,000	170,405,500	170,490,200
TOTAL SOURCE OF FUNDS	323,465,400	338,813,400	301,966,500	303,997,500
EXPENDITURES BY CLASS				
Personnel Cost	105,615,600	118,998,900	93,080,800	93,108,200
Operating Expenses	23,730,100	25,477,700	17,105,600	17,107,400
Grants, Loans or Benefits	193,875,200	194,336,800	191,535,600	193,781,900
TOTAL EXPENDITURES	323,220,900	338,813,400	301,722,000	303,997,500
EXPENDITURES BY FUND SOURCE				
General Fund	127,089,100	134,859,500	117,599,600	121,749,900
Restricted Funds	14,566,200	12,846,900	13,716,900	11,757,400
Federal Funds	181,565,600	191,107,000	170,405,500	170,490,200
TOTAL EXPENDITURES	323,220,900	338,813,400	301,722,000	303,997,500
EXPENDITURES BY UNIT				
Food Stamps	61,532,200	68,542,500	50,486,300	50,555,900
Medical Assistance	32,607,400	36,883,800	28,122,500	27,998,500
State Supplementation	21,893,000	22,363,900	19,465,600	21,775,600
TANF	207,188,300	211,023,200	203,647,600	203,667,500
TOTAL EXPENDITURES	323,220,900	338,813,400	301,722,000	303,997,500

The Family Support Program consists of the following programs: Temporary Assistance to Needy Families (TANF), Food Stamps, Medicaid Eligibility, and State Supplementation.

The National Voter Registration Act of 1993, also known as the Motor-Voter Act, requires agencies that deliver services to persons with disabilities or provide benefits under the Kentucky Transitional Assistance Program; Women, Infants and Children Program; Medicaid; or Food Stamps; as well as Armed Forces Recruiting Stations and driver licensing stations make available voter registration applications. These agencies are mandated to distribute voter registration forms, provide assistance in completing these forms, and ensure completed forms reach the proper state election office for processing.

Temporary Assistance for Needy Families (TANF)

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PL 104-193) amended and combined Title IV-A (AFDC) and Title IV-F (JOBS) of the Social Security Act to provide block grants to states for Temporary Assistance for Needy Families (TANF). These federal funds support the program's administrative and benefit expenditures that include

personnel, operating, and indirect costs; contracts with partnering agencies; cash assistance subsidies; supportive services; child care; and transportation. A Maintenance of Effort requirement mandates that states spend an amount equal to or greater than 80 percent of fiscal year 1994 expenditures. For Kentucky, this amount is \$71.9 million. Congress is expected to reauthorize the Welfare Reform program but there may be significant changes including increasing the number of hours of participation, narrowing of direct work activities, and universal participation requirements.

The Kentucky Transitional Assistance Program (K-TAP) is the Commonwealth's cash assistance program for families with a dependent child who is deprived of parental support due to the continued absence, unemployment, incapacity, or death of one or both parents. Eligibility requirements include residency, age, and enumeration. Monthly payments are designed to help adults find a job or obtain training that leads to employment. Gross income must fall below a level appropriate for the family's size, and total family resources cannot exceed agency limits.

The Kentucky Works Program assists recipients with their transition into the workforce and attainment of self-sufficiency. Adults receiving K-TAP benefits must participate in this program and, with the help of a case manager, develop a Transitional Assistance Agreement. Kentucky Works Program activities include employment, on-the-job training, work experience training programs, a job search/job readiness component, vocational training or other educational services, community service, high school completion for teen parents, and other activities necessary to prepare for employment. Referrals to providers of transportation, child care, and supportive services such as car repairs and supplies ensure that individuals are able to take part in this program.

Safety Net Services are available to former K-TAP families who lose cash assistance as a result of time limits or failure to complete an assessment for Kentucky Works. Families with an income at or below 200 percent of the federal poverty level can access temporary benefits to meet basic needs such as shelter, food, clothing, or utilities. A total of \$635 may be authorized for four months during a 12-month period.

The Family Alternatives Diversion Program (FAD) provides an alternative for families, who, while otherwise eligible, choose not to receive K-TAP cash assistance. A maximum of \$1,300 is available to assist the family with immediate needs such as food, shelter, transportation, etc. These benefits may be authorized for a three-month period. FAD may be approved once during a 24-month period.

The Kinship Care Program provides financial assistance and support services to non-parental relatives caring for children who cannot remain in the home of their parents due to abuse, neglect, or the death of both parents. An initial, one-time amount is available to address each child's immediate needs in this new environment.

Efforts continue to partner with local communities to achieve the goals of self-sufficiency, protection, and permanency for Kentucky's families. The flexibility of the TANF block grant has allowed the Department to pursue initiatives such as change management and organizational restructuring and, as a result, better address the needs of those striving to escape a life of dependency.

Food Stamps

The Food Stamp program, authorized by the Food Stamp Act of 1997 (PL 95-113) and KRS 194B.050, helps low-income persons purchase food for a nutritional diet. It is designed to promote the general welfare and safeguard the health and well-being of the nation's population by raising nutritional levels among low-income households. A household, which is defined as any individual, family, or group of people living with each other who buy and prepare food together, must meet eligibility standards.

The Food Stamp Employment and Training (FS E&T) program is designed to assist able-bodied food stamp recipients obtain employment that leads to self-sufficiency. This initiative, mandated in 1987 as a result of amendments to the Food Stamp Act, requires that work registrants in the 63 FS E&T designated counties participate in either vocational education training or a Work Experience Program. The remaining counties received waivers for E & T participation due to unemployment rates greater than ten percent. In August 1997, Public Law 105-33 amended the Food Stamp Act and the Food Stamp Employment and Training Program to mandate that 80 percent of federal FS E&T funding be spent on able-bodied adults between the ages of 18-49 who lack dependents, are placed in and comply with the requirements of a work program, and meet the eligibility standards of 7 U.S.C. 2015(o). The Farm Security and Rural Investment Act of 2002 (PL 107-171) subsequently eliminated the 80 percent employment and training requirement, but Kentucky continues to serve only able-bodied adults without dependents.

Medicaid Eligibility

The Department for Community Based Services (DCBS), using staff in field offices located in each Kentucky county, determines eligibility for the Medicaid program under a contract with the Department for Medicaid Services. The Medicaid program is authorized under Title XIX of the U.S. Social Security Act and KRS 205.520.

State Supplementation

The State Supplementation Program, authorized by KRS 205.245, provides financial support to aged, blind, or disabled individuals who have insufficient income to meet their needs in a licensed personal care home or family care home, or to purchase caretaker services designed to prevent institutionalization. To be eligible, persons must meet the criteria of the Social Security Income program related to age, blindness or disability as well as additional requirements associated with citizenship, Kentucky residency, enumeration and special needs.

Policy

The enacted Budget of the Commonwealth includes General Fund in the amount of \$2.3 million in fiscal year 2006 to replace fiscal year spend-down of one-time restricted funds in order to maintain operating levels. Additionally, a total of \$2,310,000 (\$1,860,000 General Fund and \$450,000 Restricted Funds) is added in fiscal year 2006 to increase the State Supplementation payments to Personal Care Homes.

**Health and Family Services Cabinet
Community Based Services
Child Support**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	10,764,400	11,593,500	4,678,000	4,678,000
Total General Fund	10,764,400	11,593,500	4,678,000	4,678,000
Restricted Funds				
Current Receipts	9,799,200	9,885,000	14,526,000	14,611,800
Total Restricted Funds	9,799,200	9,885,000	14,526,000	14,611,800
Federal Funds				
Current Receipts	40,744,900	42,521,000	38,105,600	38,272,200
Total Federal Funds	40,744,900	42,521,000	38,105,600	38,272,200
TOTAL SOURCE OF FUNDS	61,308,500	63,999,500	57,309,600	57,562,000
EXPENDITURES BY CLASS				
Personnel Cost	11,111,700	11,970,800	10,383,100	10,383,300
Operating Expenses	4,843,400	5,095,600	4,844,900	5,097,100
Grants, Loans or Benefits	45,353,400	46,933,100	42,081,600	42,081,600
TOTAL EXPENDITURES	61,308,500	63,999,500	57,309,600	57,562,000
EXPENDITURES BY FUND SOURCE				
General Fund	10,764,400	11,593,500	4,678,000	4,678,000
Restricted Funds	9,799,200	9,885,000	14,526,000	14,611,800
Federal Funds	40,744,900	42,521,000	38,105,600	38,272,200
TOTAL EXPENDITURES	61,308,500	63,999,500	57,309,600	57,562,000

The Child Support Program under Title IV-D of the Social Security Act (PL 93-647) is designed to ensure that children are financially supported by parents who are legally obligated to pay child support. Both the state and federal governments share costs to conduct this program. State statutes governing the operation of this program were enacted under the Kentucky Child Support Recovery Act and are contained in KRS 205.710 - KRS 205.800.

The core functions of the child support program include locating parents; establishing paternity; establishing, enforcing, and modifying child support orders; and collecting and disbursing child support payments. Program responsibilities include the establishment and enforcement of medical support as well as the enforcement and collection of spousal support. In addition to traditional judicial processes, state and federal laws allow the Child Support Program to accomplish its mission through administrative processes such as in-hospital paternity establishment, wage assignments, liens and levies on personal property and assets, and offsetting tax refunds and unemployment benefits. The Division of Child Support maintains program administration contracts with 110 county officials to provide child support collection locally.

Child support services are automatically provided to families receiving assistance under the Kentucky Transitional Assistance Program (K-TAP) or Medicaid, and for children placed in the care of the Health and Family Services Cabinet. Payment collected for families receiving K-TAP and children in the care of the Health and Family Services Cabinet is used to reimburse the state and federal governments for benefits expended on behalf of those families and children. Families that do not participate in the cash or medical assistance programs may also apply for child support services at no cost to the family.

Public Law 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, created new requirements for the child support program. Through contracts with private vendors, this program receives new-hire information from employers and asset data from financial institutions. A state case registry has been established and data is transmitted to the federal case registry to assist in locating out-of-state parents. The State Disbursement Unit is a centralized collection site for

all child support payments, including non-Title IV-D wages. These are private child support cases in which payments are withheld from the parent's wages. State services provided in these cases are limited to receiving payments from the employer, disbursing the payment to the family, and maintaining fiscal records.

The Personal Responsibility and Work Opportunity Reconciliation Act also revised the method for calculating incentive payments from one that focused solely on program processes to one based on program outcomes. Under this new plan, a pool of funds has been created for incentive payments to all states. However, only those states which meet the performance criteria in each of five program areas are eligible to receive a portion of the pool. Kentucky's incentive payments have increased each of the last two years.

Policy

The enacted Budget of the Commonwealth includes increased use of restricted fund transfers from the off-budget Child Support Incentives account in order to maintain the program.

**Health and Family Services Cabinet
Community Based Services
Energy**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	18,900		18,900	
Total Restricted Funds	18,900		18,900	
Federal Funds				
Current Receipts	23,199,000	23,222,900	29,654,900	23,181,000
Total Federal Funds	23,199,000	23,222,900	29,654,900	23,181,000
TOTAL SOURCE OF FUNDS	23,217,900	23,222,900	29,673,800	23,181,000
EXPENDITURES BY CLASS				
Personnel Cost	370,000	396,500	351,700	354,400
Operating Expenses	70,000	71,300	70,000	71,500
Grants, Loans or Benefits	22,777,900	22,755,100	29,252,100	22,755,100
TOTAL EXPENDITURES	23,217,900	23,222,900	29,673,800	23,181,000
EXPENDITURES BY FUND SOURCE				
Restricted Funds	18,900		18,900	
Federal Funds	23,199,000	23,222,900	29,654,900	23,181,000
TOTAL EXPENDITURES	23,217,900	23,222,900	29,673,800	23,181,000
EXPENDITURES BY UNIT				
LIHEAP	15,652,100	15,656,800	22,123,800	15,649,700
Weatherization	7,565,800	7,566,100	7,550,000	7,531,300
TOTAL EXPENDITURES	23,217,900	23,222,900	29,673,800	23,181,000

The Low Income Home Energy Assistance Program and the Weatherization Assistance Program administered through the Department for Community Based Services are federally funded programs that help low-income households meet the cost of energy expenses through direct fuel bill subsidies or energy conservation repairs to their homes.

The Home Energy Assistance Program (HEAP), authorized by KRS 205.400, provides support with home heating/cooling costs for low-income households. Eligibility criteria include: income that does not exceed 110 percent of the federal poverty level; resources that total less than \$1,500 (or \$4,000 if there is a catastrophic illness in the household); and the responsibility for home heating expenses. This program is divided into two segments: Subsidy, which provides heating assistance benefits to eligible households; and Crisis, which is designed to assist any low-income family experiencing a home energy emergency. Services include accepting applications, determining eligibility, implementing an outreach component, and coordinating this program with other energy assistance initiatives.

The Weatherization Assistance Program is designed to reduce energy consumption, lower heating bills, and ensure the health and safety of families whose annual income is at or below 125 percent of the federal poverty level. Funds are provided to conduct energy audits and heat system safety tests and repairs, reduce air infiltration, install insulation, and perform other energy-related conservation measures.

**Health and Family Services Cabinet
Community Based Services
Child Care**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	36,463,000	38,063,000	20,363,000	20,363,000
Total General Fund	36,463,000	38,063,000	20,363,000	20,363,000
Tobacco Settlement-Phase I				
Tobacco Settlement - I	7,932,900	7,932,900	8,120,400	8,120,400
Total Tobacco Settlement-Phase I	7,932,900	7,932,900	8,120,400	8,120,400
Restricted Funds				
Balance Forward	98,100	8,000	98,100	49,100
Current Receipts	8,000	54,000	54,000	54,000
Total Restricted Funds	106,100	62,000	152,100	103,100
Federal Funds				
Current Receipts	130,754,100	140,229,400	129,193,200	138,443,200
Total Federal Funds	130,754,100	140,229,400	129,193,200	138,443,200
TOTAL SOURCE OF FUNDS	175,256,100	186,287,300	157,828,700	167,029,700
EXPENDITURES BY CLASS				
Personnel Cost	14,634,800	14,952,600	13,535,900	13,650,800
Operating Expenses	749,000	749,000	591,900	605,700
Grants, Loans or Benefits	159,864,300	170,585,700	143,651,800	152,773,200
TOTAL EXPENDITURES	175,248,100	186,287,300	157,779,600	167,029,700
EXPENDITURES BY FUND SOURCE				
General Fund	36,463,000	38,063,000	20,363,000	20,363,000
Tobacco Settlement-Phase I	7,932,900	7,932,900	8,120,400	8,120,400
Restricted Funds	98,100	62,000	103,000	103,100
Federal Funds	130,754,100	140,229,400	129,193,200	138,443,200
TOTAL EXPENDITURES	175,248,100	186,287,300	157,779,600	167,029,700

Under KRS Chapter 199, the Department for Community Based Services (DCBS), through the Division of Child Care, manages day care services in the Commonwealth. The child care services delivered are designed to promote, expand, and improve the quality of care for children in Kentucky and ensure that families most in need have access to high quality child care which is developmentally appropriate, affordable, and safe. In the context of Comprehensive Family Services, child care is one of the support services directed at:

- Preventing or remedying abuse, neglect or exploitation of children,
- Preventing family dissolution,
- Preventing out-of-home placements,
- Providing early educational opportunities for at-risk children, and
- Strengthening and maintaining client families.

Priorities for allocation of available funds have been to meet protective services child care and child care needs for work participation requirements for the families receiving benefits through the Kentucky Temporary Assistance Program (K-TAP). Failure to meet participation requirements would result in substantial penalties and the loss of federal funds. After these priorities are met, remaining funds are used to provide child care subsidies for low-income working parents. This includes families who are transitioning from K-TAP and those who would be at risk of becoming dependent on K-TAP if child care were not available.

The cost of services for working parents is partially offset by a sliding fee scale under which parents pay a portion of the expense based on their income and family size. Child care assistance provided to families as a result of protective services are available without regard to income. In addition, child care is provided for 12 months following discontinuance of K-TAP benefits due to employment.

The Cabinet's Division of Child Care collaborates with the Division of Early Childhood Development Services and other public and private entities in the development and implementation of the Early Childhood Development initiatives. A portion of the Tobacco Settlement Funds may be used to match federal funds to support various quality initiatives. Early care and education have been enhanced through a voluntary, research based, four star child care quality rating system (STARS for KIDS NOW) for centers and certified family child care homes. This program includes quality incentives and achievement awards for participants. Increased quality, availability, and affordability of training for all early care and education professionals has been supported by a seamless statewide system of professional development that includes core content, credentials, scholarships, grants, awards, and articulation.

Successful attainment of national child care accreditation and credentials are indicators that a child care program provides quality services. The Division of Child Care is committed to support the professional development of these providers through grants to pay national accreditation and credentialing fees. In addition, this division collaborates with the Kentucky Child Care Network (KCCN) to improve the number of quality child care resources in the Commonwealth. With the Division's assistance, KCCN provides technical support and training to childcare programs and serves as a resource for parents in obtaining quality childcare.

**Health and Family Services Cabinet
Community Based Services
Family and Community Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	167,078,900	212,016,400	132,836,100	153,445,800
Total General Fund	167,078,900	212,016,400	132,836,100	153,445,800
Tobacco Settlement-Phase I				
Tobacco Settlement - I	180,000	180,000	180,000	180,000
Continuing Appropriation	156,700	156,700	153,700	
Total Tobacco Settlement-Phase I	336,700	336,700	333,700	180,000
Restricted Funds				
Balance Forward	28,952,700	2,503,000	28,952,700	6,003,000
Current Receipts	113,756,500	123,396,500	103,108,900	106,047,800
Non-Revenue Receipts	-21,579,700	-23,961,800	-19,253,900	-19,743,300
Total Restricted Funds	121,129,500	101,937,700	112,807,700	92,307,500
Federal Funds				
Current Receipts	120,737,300	129,252,700	108,907,500	115,234,500
Total Federal Funds	120,737,300	129,252,700	108,907,500	115,234,500
TOTAL SOURCE OF FUNDS	409,282,400	443,543,500	354,885,000	361,167,800
EXPENDITURES BY CLASS				
Personnel Cost	139,804,400	150,916,000	118,686,800	119,072,700
Operating Expenses	22,718,600	23,739,900	16,951,300	16,264,500
Grants, Loans or Benefits	244,099,700	268,730,900	213,243,900	225,830,600
TOTAL EXPENDITURES	406,622,700	443,386,800	348,882,000	361,167,800
EXPENDITURES BY FUND SOURCE				
General Fund	167,078,900	212,016,400	132,836,100	153,445,800
Tobacco Settlement-Phase I	180,000	180,000	333,700	180,000
Restricted Funds	118,626,500	101,937,700	106,804,700	92,307,500
Federal Funds	120,737,300	129,252,700	108,907,500	115,234,500
TOTAL EXPENDITURES	406,622,700	443,386,800	348,882,000	361,167,800
EXPENDITURES BY UNIT				
Family Based Services	106,753,400	114,408,300	90,934,500	89,859,100
Adult Services	36,852,000	38,334,000	32,513,400	32,513,400
Alternatives For Children	263,017,300	290,644,500	225,434,100	238,795,300
TOTAL EXPENDITURES	406,622,700	443,386,800	348,882,000	361,167,800

Family and Community Services provide support at the time of crisis to prevent the disruption of the family unit and to protect individuals from abuse, neglect, and exploitation.

The subprograms contained in Family and Community Services are Family Based Services, Adult Services, and Alternatives for Children. The legal authority for the program is in KRS Chapters 199, 209 (Adult Protection), and 600-645, and in Titles IV, XIX and XX of the Social Security Act.

Family Based Services

Family-based services include child protection, reunification following out-of-home placement, home safety services, preventive services for families, community based juvenile services, family preservation services, mental health services through contracts with local comprehensive care centers, self-help services provided through local child abuse councils, and preventive assistance.

Child Protective Services safeguard the rights and welfare of abused, neglected or dependent children; aid parents or other responsible persons in recognizing and remedying conditions detrimental to the welfare of their children; and identify conditions that contribute to the neglect, abuse, or dependency of children. Child Protective Services are both preventive and corrective in nature. The Department is mandated to receive and investigate reports of the abuse or neglect of children.

Home Safety Services provide in-home support that prevents the disruption of a family unit.

Preventive Services to families who do not qualify for services under other program areas address a family's treatment needs before the situation has escalated to become abusive or neglectful.

The Preventative Assistance Program provides financial assistance to families facing a financial crisis that threatens the family or adult with disruption and out-of-home placement. The program provides a maximum of \$500 per family in a one-year period.

Family Preservation provides crisis intervention and intensive (5-20 hours per week) in-home services to families who have children at imminent risk of removal from their home. Family Reunification Services, which follow the same basic model with less intensive in-home services over a longer duration (up to 6 months), facilitate the successful return of children to the home and decrease the likelihood of repeated child placements.

Self-Help Groups provide support and education for parents in crisis or at risk of further abuse or neglect of children.

Children's Advocacy Centers ensure that agencies involved in the investigation and prosecution of child abuse coordinate efforts to significantly reduce trauma for the child. Children's Advocacy Centers also ensure that critically needed therapeutic and medical support services are available to abused children and their families.

Juvenile Services in the Community provides an array of preventive and treatment services for children adjudicated as status offenders under KRS 630. Because status offender behaviors such as running away from home, beyond parental control and truancy are most often indicative of prior abuse or neglect of the child, services are targeted at prevention of further abuse or neglect and interventions to curb the child's negative behaviors. Appropriate services may be provided directly by DCBS or arranged through local Mental Health Centers, Family Resource and Youth Service Centers, Community Partnerships, private child care agencies, and other private providers in the community.

Adult Services

Adult Services has three major components: protection, self-support and guardianship. Adult Services are directed toward preserving the vulnerable individual's independence to the maximum degree possible and protecting him/her from abuse, neglect or exploitation pursuant to KRS 209. The elements of adult services are: 1) adult protection; 2) spouse abuse protection; 3) adult home safety services (which is the direct provision of home safety services to adults at risk or in need of protection); 4) interdisciplinary evaluations to determine an adult's degree of disability and need for guardianship; 5) services provided by spouse abuse centers and crisis centers; 6) alternate care (also called patient movement and placement) which involves assisting individuals with appropriate community and institutional placements; and 7) preventive services for adults which entails assessment, planning, and guidance to individuals referred by the courts, the Cabinet's Ombudsman, neighbors, state and federal legislators or through a self-referral. This often involves finding food, shelter, clothing, and medical treatment. Adult Self-Support includes the Community Services Block Grant, which provides funding for emergency needs of economically disadvantaged citizens. This program helps to alleviate the stresses on the family unit resulting from poverty while promoting self-sufficiency. Adult Guardianship services are provided for legally disabled adult residents of Kentucky for whom the Cabinet has been appointed guardian or conservator. The staff of the Guardianship Branch act as advocates to assure that each client's civil and human rights are preserved and protected, care needs are met, living arrangements are appropriate, entitlement eligibility is maintained, and financial matters are managed.

Pursuant to KRS 209, anyone who knows or suspects that an adult, who because of mental or physical dysfunction, or a spouse (without regard to age) is being abused, neglected or exploited must report this information to the Health and Family Services Cabinet. The Cabinet is required to investigate the report, notify local law enforcement officials, offer appropriate protection and support services, and maintain case records.

Interdisciplinary Evaluations are court ordered evaluations pursuant to KRS 387.540 performed by a qualified social worker, a physician and a psychologist to assess an adult's degree of disability and to report to the court regarding the need for

guardianship.

Spouse Abuse Shelter Services are available in each of the 15 Area Development Districts under a contract between the department and the Kentucky Domestic Violence Association. Part of the funding for this element is provided by a portion of the marriage license fee as authorized by KRS 209.160.

Alternate Care (also referred to as Placement and Movement) services are essential in providing preventive and protective services. For individuals no longer able to care for themselves or be cared for at home, long term care facility placement is often the best alternative or only solution. The Department for Community Based Services is involved in placement and movement of individuals into, between, and out of facilities. Placement and Movement denotes assistance provided to Medicaid eligible individuals. Alternate Care denotes assistance to non-Medicaid eligible individuals.

It is estimated that approximately 56,000 Kentuckians need alternate care or placement and movement services each year. The majority of these individuals have family or friends to assist them in finding alternate living arrangements. The Department assists those individuals who are not able to locate appropriate placements. Alternate Care Services help ensure that persons are not inappropriately placed in a level of care exceeding their need and, thus, promotes cost effectiveness. These services also help ensure that persons assisted receive the care they require.

There are approximately 200 personal care homes and 200 family care homes in Kentucky. As part of Alternate Care, the Department's family service workers make quarterly site visits to each freestanding personal care home and all family care homes to see residents and determine if their social and related needs are being met. Staff also monitors bedfast-waivered individuals monthly. Bedfast-waivered individuals are persons who, because of special considerations, are permitted to remain in personal or family care homes even though their care needs exceed what these homes normally provide. The homes must make special arrangements, with a physician's concurrence, to meet the needs of bedfast-waivered persons.

Alternatives for Children

Alternatives for Children provides placement resources for children who have been or are at risk of being abused or neglected. The legal authority for Alternatives for Children includes: KRS Chapters 199, 600 and 620, Titles IV-B and IV-E, and the Social Services Block Grant. Services are directed toward finding substitute care for children who must live apart from their family; working toward reuniting the child and family; and, if that is not possible, securing an alternative living arrangement which will provide permanency for the child.

Family Foster Care takes place in the home of an agency-approved family. The development of alternative resources such as the Families and Children Together Services (FACTS), Family Preservation Program, Kinship Care, and Preventative Assistance has reduced the trend of more children placed in out-of-home care.

Foster Parent Training, provided by CBS staff and contractors, is required of all foster parents. Foster parents must complete 30 hours prior to approval and placement of a child and also are required to attend annual in-service training. Parents serving special needs or medically fragile children and those from family treatment homes are required to complete additional training. Care Plus Homes provide a setting where intensively trained foster parents furnish a viable alternative placement resource for children and youth who: have serious emotional problems; are due to be released from treatment facilities; display aggressive or destructive behaviors or other disruptive behaviors; are at risk of being placed in more restrictive settings; are at risk of institutionalization; or have experienced numerous placement failures. Medically Fragile Foster Care serves children who need medical treatment and continuous monitoring but do not necessarily require the daily services of a nurse or doctor. Foster parents caring for these children are provided an increased reimbursement and must meet additional training and certification requirements.

Independent Living services are specialized services, including classroom and experiential training, designed to enhance the self-sufficiency skills of older children in foster care, private child care and other state funded living arrangements. Services are provided both directly by staff and by contract agencies. As they complete each phase of the training, youth receive a stipend. In addition, youth ages 18-21 who were formerly in care may receive room and board assistance for a limited time.

Private Child Caring/Child Placing services and emergency shelter services are essential components of a protective service program that provides temporary placement services for children who are unable to remain in their own homes because of severe abuse, neglect, exploitation, abandonment, and/or because they have specialized treatment needs.

Adoption is the legal process by which a child becomes a legal child of a person or persons other than his/her biological parents. The department provides services prior to adoption in order to bring children and families together and services after adoption through after-placement supervisory services and adoption assistance.

The Adoption 2002 Initiative is a collaborative undertaking between the state and federal governments to double the number of children adopted or placed annually in other permanent homes over a five-year period. This joint effort is designed to engage

federal, state, and local governments; child welfare and adoption professionals; community leaders; and other interested citizens in creative and meaningful activities to improve the lives of children by creating permanent homes for them.

IMPACT Plus Program provides services for children who require treatment due to emotional diagnoses. Medicaid funds support these services through agreements with specific providers. This program seeks to divert services from inpatient settings to the community level. All children in the IMPACT Plus Program have a team of parents, educators, therapists, social services workers, and others who meet to identify services that will meet the children's unique treatment needs. A health benefits administrator, contracted by the Department for Medicaid Services, certifies children as IMPACT Plus eligible and approves payment for services.

Policy

The enacted Budget of the Commonwealth includes General Fund in fiscal year 2006 in the amount of \$20.3 million for out-of-home care services previously supported with restricted funds. Prior years' restricted fund cash transfers to the General Fund from Family and Community Based Services reduced the restricted fund reserves that would otherwise have funded these out-of-home care services through fiscal year 2006. General Fund is also included in fiscal year 2006 for the Kentucky Baptist Children's Home Youth Ranch (\$200,000) and the Bluegrass Domestic Violence Program (\$100,000).